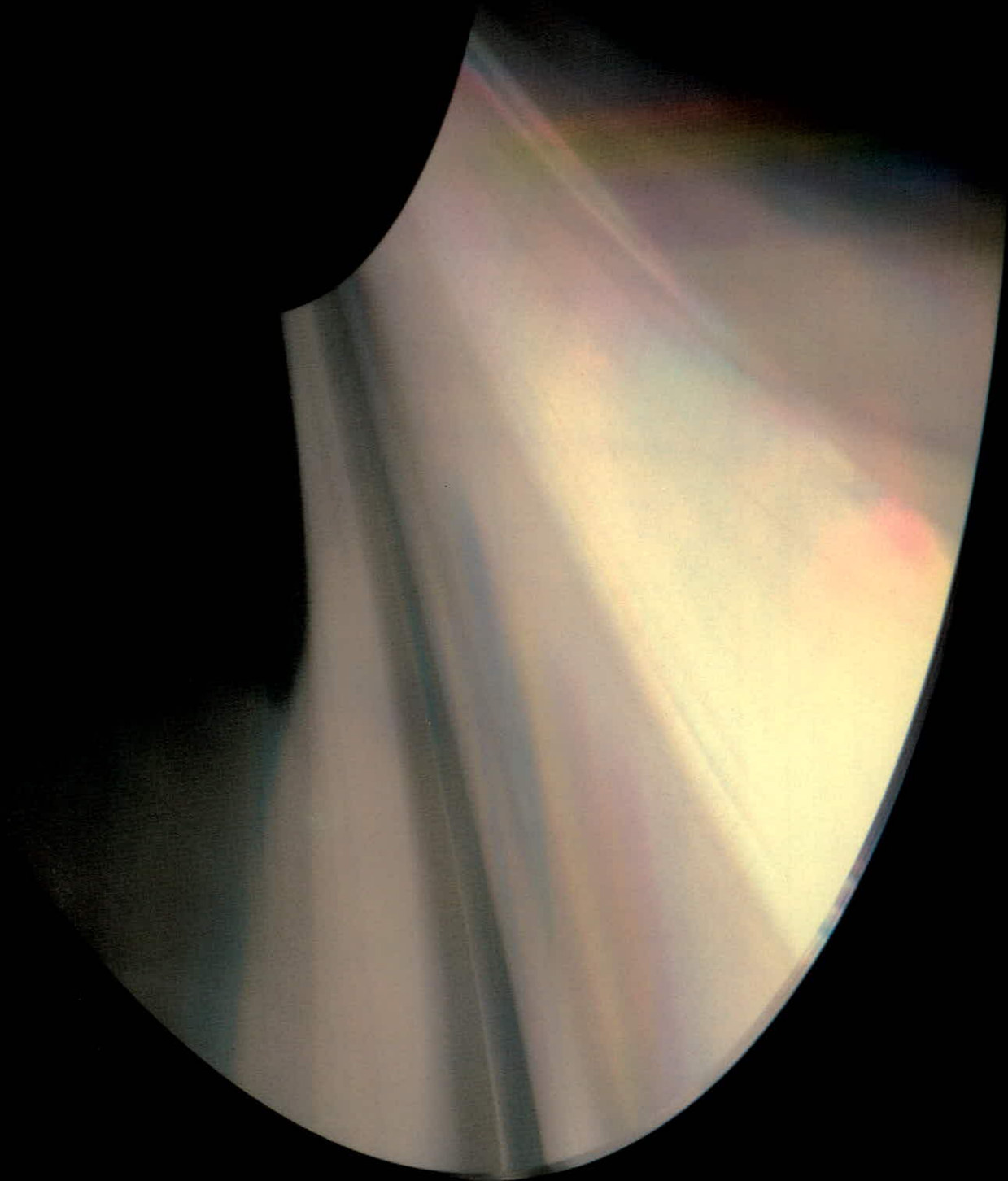


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ALCAN
ALUMINIUM
LIMITED
ANNUAL
REPORT 1983



HIGHLIGHTS OF 1983

Principal highlights	1983	1982	1981
Total shipments of aluminum ('000 tonnes)	1,902	1,707	1,547
Shipments of ingot products	728	758	510
Shipments of fabricated products	1,174	949	1,037
Total sales and operating revenues (U.S.\$ millions)	5,208	4,644	4,978
Net income (Loss) (U.S.\$ millions)	73	(58)	264
Capital expenditures (U.S.\$ millions)	382	643	974

Financial, at end of year (U.S.\$ millions)

Working capital	1,452	1,361	1,486
Net fixed assets and investments	3,834	3,972	3,543
Long-term debt	1,499	1,749	1,589
Common shareholders' equity	2,799	2,511	2,631
Return on average shareholders' equity (%)			
Historical cost method	3	(2)	10
Current cost method	(2)	(3)	3

Common shares (U.S.\$)

Number of common shares outstanding at end of year (thousands)	96,929	85,189	82,652
Net income (Loss) per share	0.81	(0.69)	3.24
First quarter	(0.13)	0.14	1.01
Second quarter	0.03	0.06	1.09
Third quarter	0.30	(0.18)	0.82
Fourth quarter	0.57	(0.71)	0.32
Dividends per share	0.90	1.35	1.80

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Cover Photo:

The aluminum computer disc, produced by Alcan's Japanese affiliate, can hold five megabytes of information, nine times that of a "floppy" disc.

If 1982 was a year of hope deferred for the world aluminum industry, 1983 was a year of value recognized. Aluminum significantly outperformed other metals in the recovery from the recession. This reflected the consumer-led upswing, particularly in North America, starting with the automotive and housing industries, where the intrinsic advantages of aluminum are well recognized. Recovery in these industries, and the resulting growth in demand for aluminum, were faster than had been generally forecast. Part of this growth in demand was to refill supply pipelines, but most of it was to meet a healthy increase in real consumption. The industry responded during the year by bringing back into production almost two million tonnes of annual smelting capacity, with the result that monthly production at the year-end was up by 20% over December 1982. Supply-demand pressures caused an equally rapid rise in ingot spot prices, which had reached their low point in June 1982, and were still at very low levels at the beginning of 1983. Despite this rise, spot prices in North America had not reached the peak levels of 1980 by the end of 1983.

Looking further ahead, the energy shocks of the seventies, leading into the recession from which we emerged in 1983, are causing permanent changes to the worldwide structure of the industry. One of the major consequences of the changed energy picture is that the aluminum industry, which has always been international, is becoming even more so. Smelting investment, in more hands than in the past, is moving to new low-cost energy areas. New international trade patterns are emerging. Investment and business strategies are changing to reflect the altered situations. International experience, together with the ability to exploit the opportunities that come with change, will be valuable attributes for the eighties.

In the early stages of the recession in March 1982, the Annual Meeting of Shareholders was presented with a view of Alcan's position, its comparative advantages and its basic strategic thrust. As we emerged from the downturn, it became clear that Alcan's comparative advantages had served it well, and that its continuing long-term thrust is being implemented.

An early objective was to strengthen the company's balance sheet. An important step to this end was the issue during the year of over 11 million Alcan common shares in Canada, the United States, Europe and other countries, realizing net proceeds of \$419 million.

Our smelter strategy continues on course. A program was started during 1983 to expand the capacity of the Kurri Kurri, Australia smelter by completing the third line. Following the signing of an agreement in principle in December 1983, discussions are continuing between Alcan and the Quebec Government on the renewal of leases of water rights in Quebec. This agreement is closely related to the undertaking of the modernization program for Alcan's Quebec smelter system, of which the first step would be the construction of a new smelter at Laterrière. In British Columbia, we are proceeding with the process of seeking public approval of the proposed Kemano completion project. This project needs British Columbia government approval before we can make decisions to proceed with financing and construction. The timing of this investment, once approvals have been obtained, will depend upon market conditions and financing considerations. With these plans underway, Alcan believes it has a flexible program for the modernization and expansion of its Canadian smelting base to meet market needs.

Part of our strategy is to seek to grow, where possible, through the opportunities arising from the restructuring of the industry rather than by greenfield expansion. We have successfully done this in the United Kingdom, where the merging of the activities of Alcan Aluminium (U.K.) Limited with British Aluminium Company plc to form British Alcan Aluminium Limited has borne fruit during 1983. The new company, through rationalization and a reduction of its cost base, was able to take advantage of the economic upturn and achieve a significant turnaround in profits in 1983, following heavy losses in both companies in 1982. Alcan also plans to add to its existing operations in the U.S., where, just after the year end, it announced that it had signed a letter of intent to purchase a number of the aluminum assets of Atlantic Richfield Company. These include a smelter in Sebree, Kentucky, rolling mills in Terre Haute, Indiana, and in Louisville and Logan County, Kentucky, associated packaging products operations in the U.S., as well as Atlantic Richfield's interest in the Aughinish alumina plant in Ireland, in which Alcan already has a 40% share. The agreement remains subject to completion of a number of steps, including the pre-merger notification requirements of U.S. federal law.

Alcan's technology strategy continues to focus on the need to develop and apply market-related technology in our existing businesses and in new fields. We cannot count on yesterday's winners for our future growth. Development of new products for emerging markets, and to meet more stringent performance requirements in existing markets, is vital, and some current examples appear in a later section of this report. It is also vital that we explore products and businesses, not necessarily in the aluminum field, which draw on Alcan's strengths, and we are starting to do this. Reflecting this emphasis, research and development expenditures continued to rise, reaching \$60 million, up 9% over 1982.

During 1983, Alcan participated in the improvement in the fortunes of the industry, and the turnaround between 1982 and 1983 was mirrored in the pattern of the company's earnings. From the low point of the last quarter of 1982, quarterly earnings rose as progressively through 1983 as they had fallen during 1982, resulting in net income for the year of \$73 million, compared with a loss of \$58 million for 1982. Ingot price realizations improved steadily and were followed in the latter part of the year by modest improvements in price realizations on fabricated products. Successful measures were taken throughout the group to contain and reduce operating costs. Consolidated shipments of aluminum were 1,902,000 tonnes, up 11% on 1982, and a record level for the company.

Recovery in aluminum demand occurred early in the year and was strongest in North America. In most other areas, the recovery only built up in the second half of the year and volume growth was more moderate. Profits improved in Alcan's Canadian and U.S. operations, and Europe recorded a very significant turnaround in earnings from the loss situation of 1982. The major economic problems in Latin America resulted in an overall loss, notably in Brazil.

Managing businesses under conditions of tight cash control, growing demand and narrowing fabricating margins—the business conditions of 1983—requires a great deal of skill and imposes considerable strain on those involved. Alcan employees at all levels faced challenges through 1983 different from, but no less demanding than, those of the recession itself, and they responded wholeheartedly and professionally. The Board of Directors would like to acknowledge its appreciation of their efforts.

William O. Twaits c.c. will not be standing for re-election as a director, having reached retirement age. Mr. Twaits was first elected to the Board in March 1975, was appointed a member of its Personnel Committee later that year, and has been Chairman of that Committee since June 1979. His vast experience in Canadian and international industry enabled him to give valuable advice on a wide variety of subjects and to contribute significantly to the deliberations of the Board. To fill this vacancy, John F. Burlingame, Vice Chairman of General Electric Company of the U.S., is being proposed for election at the Annual Meeting. John H. Hale, a former Senior Vice President, left the company in August to become Managing Director of S. Pearson & Son plc in the U.K. He remains a director and is standing for re-election.

Towards the end of the year, a restructuring of the senior management organization took place. Eric F. West was appointed Senior Executive Vice President to serve as a deputy to the President and Eric A. Trigg, as Senior Vice President, assumed responsibility for head office departments including Basic Raw Materials, Metal Planning and Administration, Environment, Occupational Health and Safety, Energy Resources and Corporate Ventures. A Planning and Policy Committee was also established to assist the President in the formulation and review of key policies and major strategies.

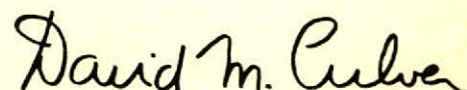
The worldwide line operating management structure was grouped into three regions, each under a Regional Executive Vice President, reporting to the President. David Morton became Regional Executive Vice President for the Americas, Patrick J. J. Rich for Europe, Africa and the Middle East and A. F. Black for the Pacific.

The economic outlook for 1984 is for a continuation of the recovery, though there remain a number of question marks over the world economic scene. Alcan should see a significant improvement in earnings, particularly if margins are restored on fabricated products, and on the basis of present economic forecasts this improvement should continue into 1985.

If 1982 demonstrated our ability to survive, 1983 has shown our ability to grow. It has seen the foundations laid for expansion that is both timely and controllable. On the leaner base that emerged from the recession, Alcan is planning growth in profit from its existing businesses, modernization and expansion of its smelting system and strategic development of its fabricating capacity. 1984, like 1983, will be a building year.



Nathanael V. Davis
Chairman of the Board



David M. Culver
President and
Chief Executive Officer

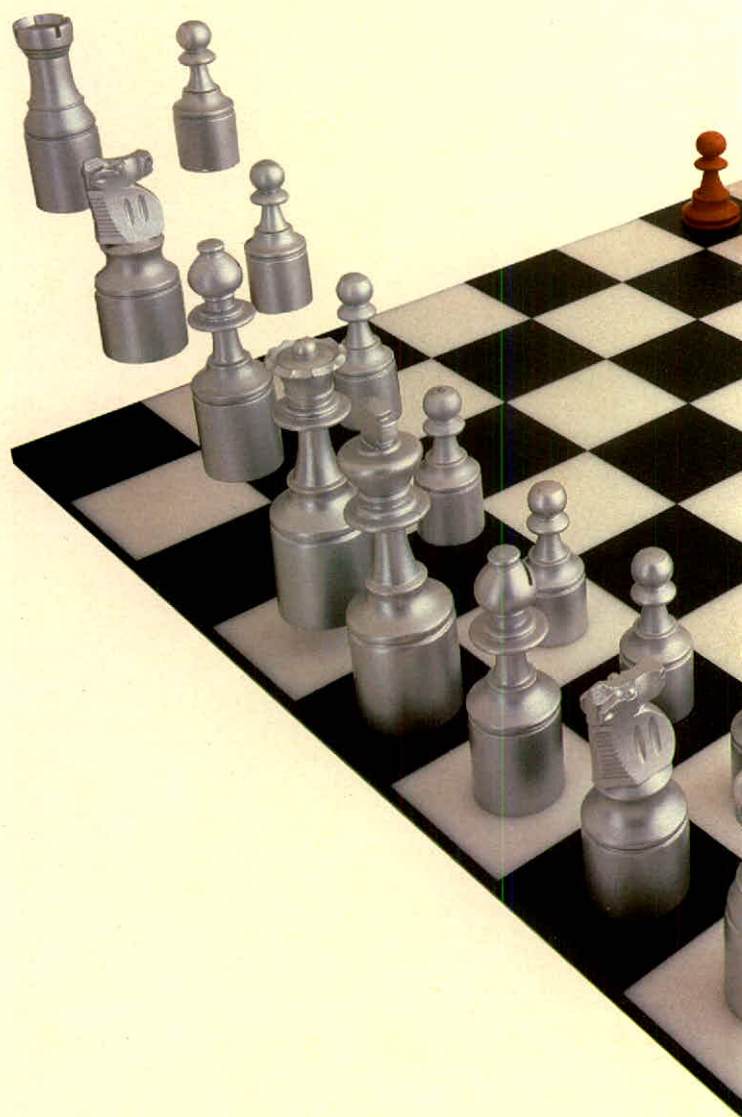
Over 30 years ago, Alcan's annual report for the year 1949 described "the rapid evolution of aluminum from a scarce, semi-precious substance to an inexpensive material leading all non-ferrous metals in volume production." Since then, the light metal has experienced explosive growth in the industrial world, with annual growth rates in the quarter century following World War II averaging 9.5%.

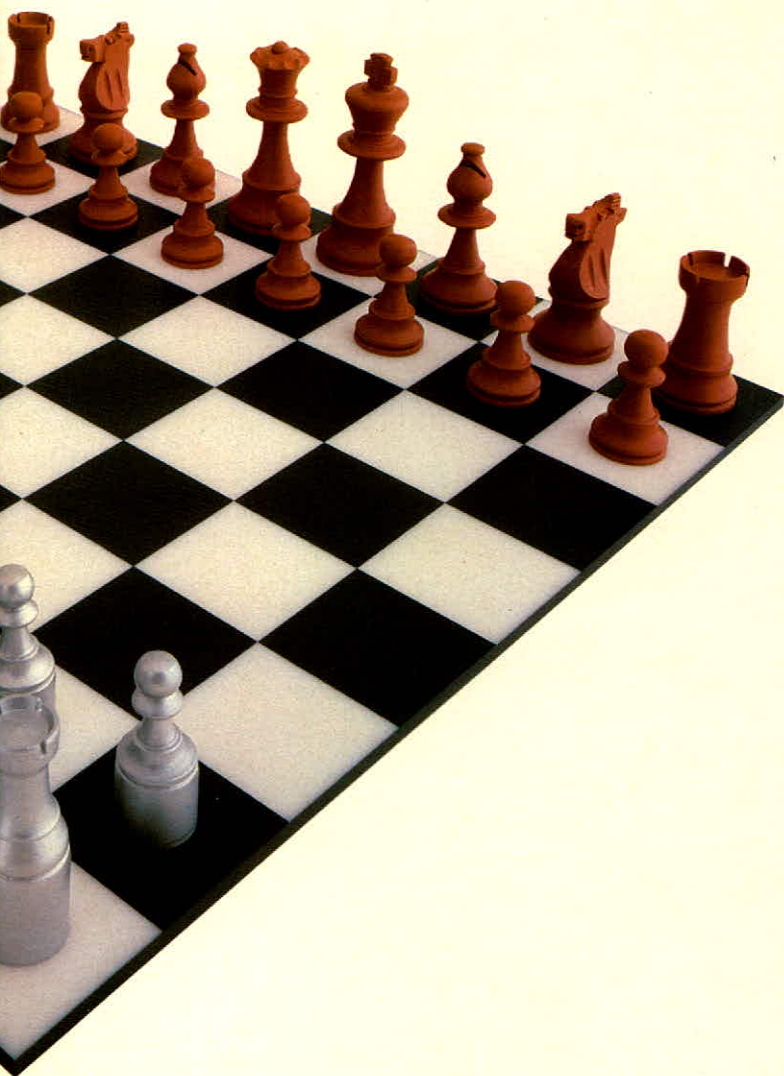
From its earliest application in pots and pans, the use of aluminum spread rapidly through the electrical, building, transportation and packaging markets. Siding for houses and curtainwall for office buildings rivalled use in aircraft, cars, trucks, buses and railway rolling stock for the most rapid growth. Aluminum bottle caps, foil packaging and later beverage cans appeared in more and more shopping carts.

Today, nearly 100 years after its commercial debut, aluminum continues to outperform its sister metals, due in part to its inherent advantages, but due also to major development efforts by Alcan and others in the industry.

Internationality is important because the concept of closed national markets is rapidly disappearing and technologies do not remain the property of any one country. Alcan's long international experience and widespread technical network give it a competitive edge in meeting today's product development needs. By transferring technologies from one region to another, rationalizing global resources and capacities, and focusing specialized knowledge where it is most useful, Alcan can exploit opportunities unavailable to less broadly-based organizations. Looking to the future, the information revolution, the rising living standards of the developing countries and changing consumer attitudes in industrialized countries all

When aluminum entered the global economic game, its functional advantages allowed it to displace other materials such as copper, steel and wood in many industries. Acceptance and success grew as technical problems were solved in forming, joining and surface finishing the metal for various uses.

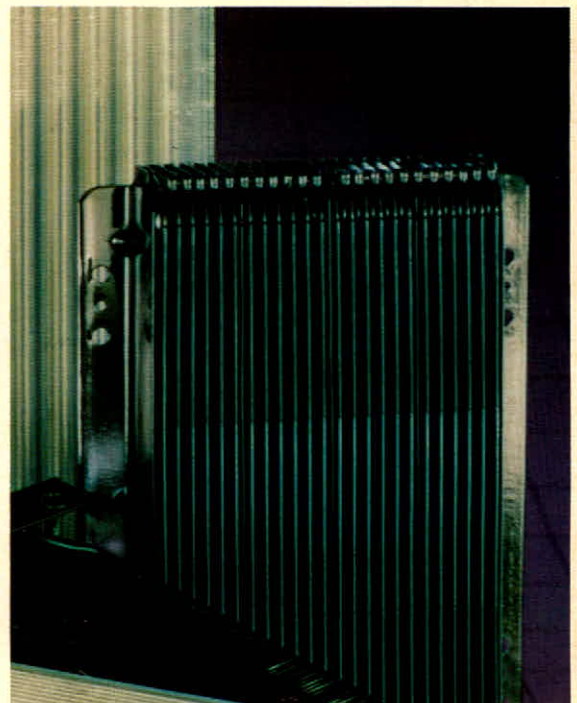




offer further opportunities for aluminum. But tomorrow's opportunities are much more complex and challenging than those of earlier days. Research programs aimed at these opportunities must first be defined by asking the right questions. Alcan believes it is asking the right questions and that the continuing development efforts are relevant to defined future needs.

A quick look at some new developments reveals only part of what is in store. Although some current products are maturing, new ones are emerging and it may be some decades before aluminum realizes its full potential.

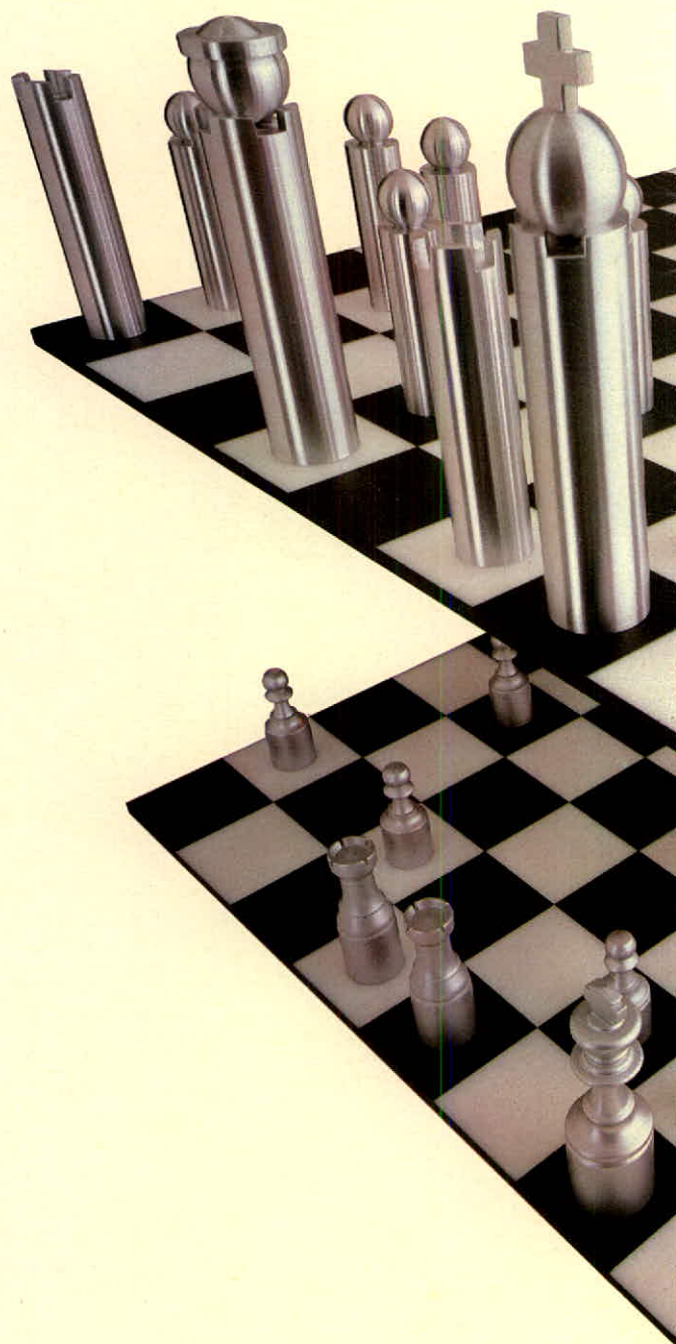
■ A new market for aluminum emerged when special forming and bonding techniques, such as NOKOLOK[®] developed by Alcan, permitted fabrication of aluminum radiators for automobiles. Aluminum's lightness, and high heat conductivity make it an ideal material for this purpose. Today, Alcan aluminum is found in these and other heat exchangers around the world, a market created not just by inherent properties of aluminum, but by fabrication technology developed to satisfy a specific industrial need. Alcan remains a broadly based supplier to the automotive industry, producing material for products such as bumpers in Canada; radiators, body panels and trim in the U.S.; pistons and castings in Germany; and wheels in Japan.



■ Today's jumbo jetliners are the product of a generation of refinement in the design of aluminum airframes and the quality of the aluminum that goes into them. Tomorrow's airliners will require even more sophisticated materials, and Alcan is working to provide them. After years of research into alloying aluminum with lithium, two types of Alcan aluminum-lithium material have reached the development stage. They are 10% lighter and 10% stiffer than any previous aircraft alloys, yet can be fabricated entirely by existing methods. New aircraft structures designed to exploit these lighter, more rigid materials could yield a 20% weight saving. When these new products are ready, aluminum will be better able to retain its pre-eminent position in the aviation industry, against active competition from plastics, ceramics, carbon fibre materials and other composites. Of course, the markets for aluminum-lithium materials are not confined to aviation. The advantages may well become relevant to automobiles, trucks, military vehicles, yachts, sports equipment and high-speed rail links; markets already served by Alcan.



The international game developed a second level as products were developed to exploit unique properties of aluminum. New competition also emerged in the form of plastics and other synthetic materials. Aluminum responded with intensified development of improved alloys and processes.





■ Innovation of a different kind is creating a new opportunity in the construction field. Aluminum has long been established as a building material in the form of high volume, modular components: window and wall systems, cladding, roofing, siding. Now an entirely different development is taking place in France. Alcan is now custom-tailoring aluminum products to meet individual house-owner needs. Using computer aided design services, Alcan can provide individual contractors with complete component systems, reflecting their particular needs, as well as technical support and marketing assistance. By making aluminum more versatile and responsive to end-user's needs, Alcan is leading rather than following customers into a new mode of building with aluminum.

■ For food preservation and preparation, aluminum foil has become a household staple. Now it is rapidly expanding its position as a commercial packaging material thanks to two significant packaging breakthroughs aided in part by technology developed by Alcan and an affiliated company in Japan. The laminated aluminum foil pouch is, in effect, a flexible can which is sterilized as cans are by heating the contents after sealing. Because the pouch is slim compared to a can, the sterilization process is short, saving energy, but more importantly, it preserves the natural flavor of the food better. The pouch also keeps precooked foods fresh for months without refrigeration. The foil pouch is receiving wide acceptance in many European countries and Japan.

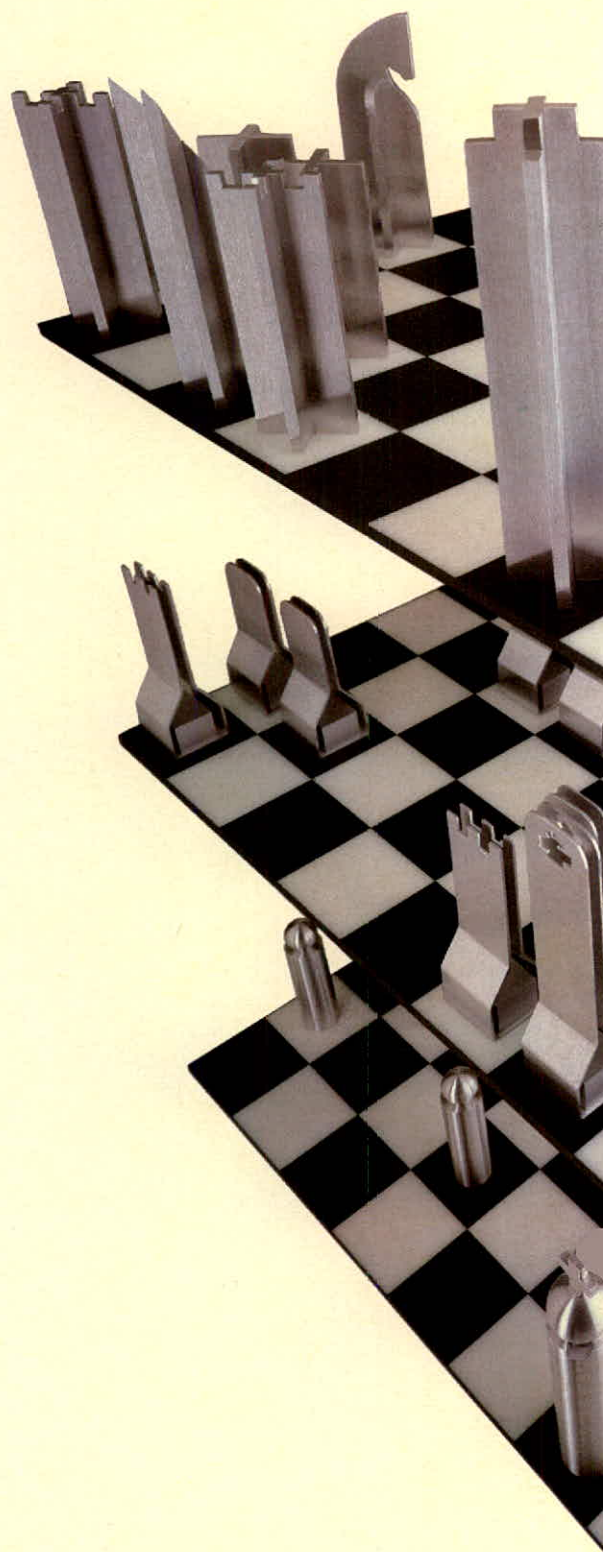


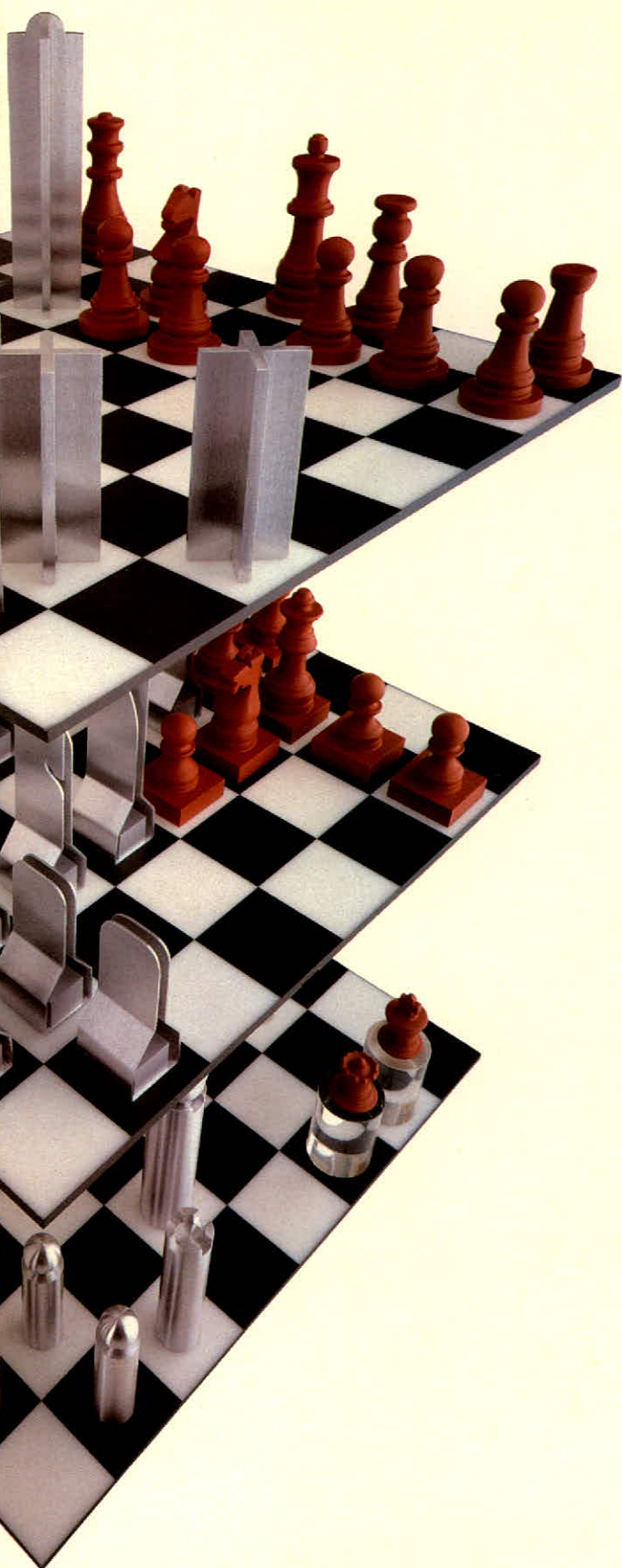
Similarly, aluminum's excellent oxygen, light and moisture barrier characteristics make a completely different packaging option possible. Pre-sterilized composite packs receive their food contents in an aseptic environment, avoiding heat sterilization altogether and thus permitting longer shelf life and better flavor for many beverages including fruit juices and milk, as well as avoiding the need for subsequent refrigerated distribution. New technology that allows foil to be combined with co-extruded plastic is greatly expanding the markets for these packages around the world.

■ Each time a NASA space shuttle lifts off the launch pad it carries with it 243 metric tons of aluminum. As one might expect, some of this is in the form of the spacecraft's components and equipment. But most of it is used quite unexpectedly—it's a constituent of the fuel for the ship's huge booster rockets. The need to make solid fuel rocket engines burn smoothly requires a very special kind of aluminum powder and Alcan is a major supplier of the 158 metric tons of powder required for each space shuttle flight.



The game has developed yet another level of complexity now that high technology is creating exotic and unexpected applications for aluminum. New alloys, processes and forming and finishing techniques are required to exploit these new opportunities. Meanwhile, the earlier and established applications continue to expand and remain vital parts of the overall game.





Another Alcan product developed from aluminum hydrates acts as a fire retardant when it is mixed with a polymer used for the rubber backing for carpets. It slows down the combustion rate by releasing water vapor at low temperatures—in effect a built-in sprinkler system. In other myriad forms, aluminum hydrates are used in paints, resins, plastics and even toothpaste.

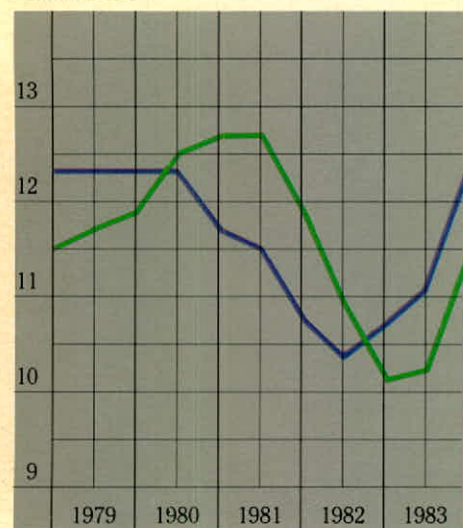
■ One of the devices feeding data into computers in a growing number of offices around the world is the rigid memory disc, made of aluminum, and produced by Alcan's affiliated company in Japan. One side of a 5¼ inch rigid aluminum disc can hold five megabytes of information, the equivalent of a good novel and over nine times more data than that held by the plastic "floppy" discs of the same size now common in home computers. Moreover, the hard disc permits quicker access of information and is more durable. This new technology is young and moving fast. A super purity aluminum disc with 15 megabytes, three times the present storage capacity, will be introduced this year by Alcan's Japanese affiliate. Aluminum's unique advantages make it an ideal material for producing products to meet the rapidly growing market for high density information storage.



Business Conditions

Producer Shipments and Production

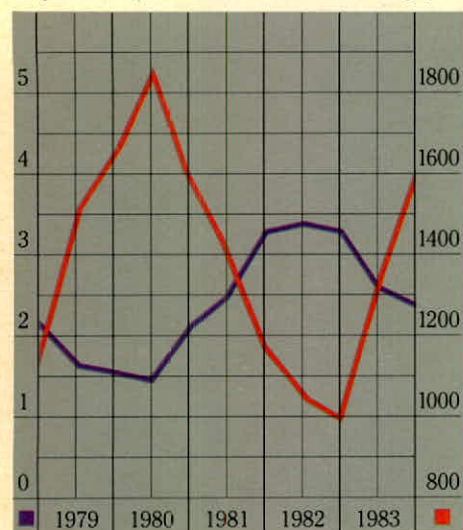
(millions of tonnes—6 months average)

■ Shipments
■ Production

Primary Inventory and Spot Price

■ Inventory (millions of tonnes)

■ Spot Price (US\$/tonne—6 months average)



Aluminum demand and ingot spot prices recovered strongly in 1983 from the depressed levels of 1982, largely as a result of the healthy turnaround in the United States economy. Total industry shipments increased 11.5% to an estimated 11.7 million tonnes, with the U.S. accounting for more than half of the improvement. Spot prices, which declined to a low of \$925 a tonne in 1982, rose sharply through the first nine months of the year and averaged \$1,600 a tonne in the final quarter.

The accompanying charts illustrate the response by producers to changing demand conditions and the close relationship between spot prices and inventories. As the industry faced a prolonged slump in shipments, production rates were cut back in an effort to stem the increase in inventories. Based on data from the International Primary Aluminium Institute (IPAI), the smelter operating rate in the Western world declined to 73% of the 13.7 million tonnes of capacity at the end of 1982, while in North America, the operating rate was reduced to 65%. Both these percentage rates were 20-year lows.

The drastic production cuts put the industry in a favourable position for the recovery. When the first definite signs of the U.S. economic upturn began to appear in the first quarter of 1983, ingot spot prices, which had been moving up slowly from their 1982 lows, increased immediately in anticipation of higher demand. As industry shipments increased, the price rise accelerated.

The expectations of higher demand and prices also induced the customers of the industry to replenish inventories which they had reduced under the pressure of high interest rates and weak business conditions.

Inventories (000's tonnes)	North America	Europe	IPAI Total	*World Total
Dec. 1981	2,183	1,154	4,149	4,327
Dec. 1982	2,731	1,195	4,767	5,086
Apr. 1983	2,439	1,079	4,190	4,600
Nov. 1983	2,072	980	3,678	4,054

*Including IPAI, LME and Japanese Stockpile.

Excess producer inventories, therefore, were rapidly depleted. This was especially true in the U.S. where the consumer sector, particularly the housing and automotive markets, rebounded vigorously from a poor 1982 performance.

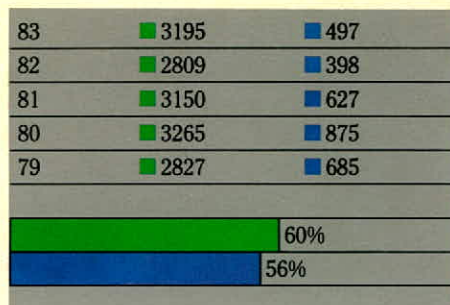
The surge in demand allowed producers to bring capacity back on stream in the second half, resulting in an unprecedented increase in smelter operating rates. By the year end, the operating rate had risen to 86% of capacity of 14.1 million tonnes, adding about two million tonnes to supply at an annual rate. Alcan's consolidated smelter operating rate reached 94% of 1.6 million tonnes compared with 84% of 1.5 million tonnes at the end of the prior year.

The U.S. surprised most forecasters by the strength of its economic recovery during 1983 and seems set for further expansion in 1984. Consumer spending, which fuelled the early recovery, should remain strong while capital spending for business expansion is picking up. The Canadian economy, assisted out of one of its severest recessions by the U.S. recovery, is also on a better course.

Other industrialized countries have lagged, but should improve in 1984. Europe as a whole recorded a 1% rise in GNP in 1983, but by year end, both Germany and the U.K. appeared to be on the road to a better performance. The outlook in Japan is also brighter.

Alcan expects further improvements in aluminum demand during 1984 with Western world primary shipments estimated to rise 7% to 8%. Aluminum production, however, is not expected to exceed 91% of capacity until ingot prices rise significantly above current levels. Most of the remaining capacity is handicapped by extremely high production costs or by chronic power shortages.

SOURCES OF CONSOLIDATED REVENUE AND GROSS PROFIT (in millions of U.S.\$)



Fabricated Products

Flat-rolled products accounted for about 60% of revenues in the fabricated category during 1983. The major markets served include containers and packaging, building and construction and transportation. By far the largest single use of aluminum sheet is for beverage cans, principally in the United States.

More than 30% of revenues are derived from extruded, rolled and drawn products. This includes extrusions, mainly for the building and construction market, and wire, rod, bar and cable. The company is the largest supplier of extrusions in Europe. Alcan also has a significant market position in wire and cable products in Canada, the U.S. and Brazil.

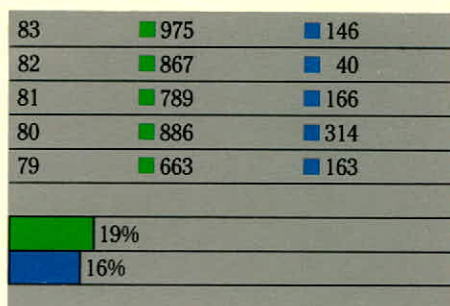
Fabricated products accounting for the remaining revenues include castings, powder, aluminum paste and utensils. The company also produces high pressure gas cylinders for fire extinguishers and life support systems which are marketed under the Luxfer name.

Ingot Products

Third party ingot sales declined slightly in 1983 from the high level of the prior year and the proportion of ingot to fabricated product shipments diminished to 38:62 compared with 44:56 during 1982.

On a geographic basis, 1983 ingot volume was higher in North America because of the strong economic upturn, particularly in the United States. Extrusion ingot sales were significant as Alcan maintained its leading position as a supplier to independent U.S. extruders, especially those serving the building and construction industry. Shipments of remelt ingot to the Asian markets, however, were substantially lower than the unusually high 1982 levels.

Sheet ingot, high purity remelt ingot and wire ingot are also produced by the company, principally for its own fabricating operations.

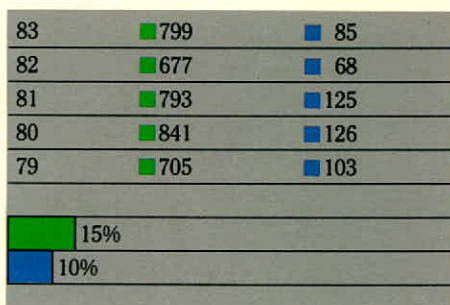


Other Products

Alcan is the largest distributor of high-temperature, corrosion-resistant alloys in the United States with 27 locations under the Metal Goods name. The product line includes nickel alloys, stainless steel, aluminum, copper, brass, foundry alloys and piping, fittings and valves. Metal Goods' non-aluminum sales account for more than 25% of revenues in the "other products" category.

About 40% of revenues are derived from the sale of alumina, bauxite, carbon and coke and industrial chemicals. The latter include alumina hydrate, aluminum sulphate and calcined alumina.

The balance of revenues are from the sale of products such as steel siding and roofing for commercial and agricultural buildings. The company produces ferro-alloys in Brazil for the steel industry and vinyl siding in the U.S. to complement its aluminum products. Alcan is also a major marketer of magnesium outside the U.S.



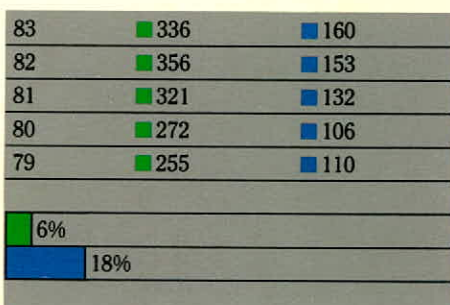
Operating Revenues and Other Income

Operating revenues in 1983 were \$239 million with tolling and the sale of surplus electricity accounting for more than 70% of the total. The remainder was principally generated by Saguenay Shipping Limited, a wholly-owned subsidiary which provides general cargo services to third parties.

Tolling revenues include the conversion of alumina into ingot at Alcan's British Columbia smelter for 50%-owned Nippon Light Metal Company under a long-term agreement. In 1983, 46,000 tonnes of ingot was produced using alumina supplied by the Japanese company.

Other tolling revenues were earned mainly by subsidiaries in Germany and the United States who processed third party metal on their rolling mills. However, the U.S. subsidiary purchased more scrap from can sheet customers in 1983 than in prior years, resulting in a corresponding reduction in the amount tolled into sheet.

Surplus electricity was sold by subsidiaries in Canada and the United Kingdom. "Other Income", totalling \$97 million, consisted principally of foreign exchange items and interest income.



■ Revenue • % of total revenue
■ Gross Profit • % of total gross profit and other income

INFORMATION BY GEOGRAPHIC AREAS (in millions of U.S.\$)

	Location	1983	1982	1981
Sales & Operating Revenues	To Subsidiaries			
	Canada	\$ 943	\$ 736	\$ 743
	United States	65	63	101
	Latin America	23	—	—
	Europe	15	17	25
	Pacific	65	55	74
	All Other	235	238	331
	Sub Total	1,346	1,109	1,274
	Consolidation Eliminations	(1,346)	(1,109)	(1,274)
	Total	—	—	—
	To Third Parties			
	Canada	\$1,033	\$1,050	\$1,108
	United States	1,358	1,093	1,319
	Latin America	298	431	409
	Europe	1,766	1,312	1,373
	Pacific	627	629	642
	All Other	126	129	127
	Total	\$5,208	\$4,644	\$4,978
	Sales	4,969	4,353	4,732
	Operating Revenues	239	291	246
	Total	\$5,208	\$4,644	\$4,978
Net Income	Canada	\$ 105	\$ 29	\$ 231
	United States	24	(1)	18
	Latin America	(11)	15	24
	Europe	26	(128)	(71)
	Pacific	(28)	(14)	26
	All Other	(4)	11	57
	Consolidation Eliminations	(39)	30	(21)
	Total	\$ 73	\$ (58)	\$ 264
Total Assets at 31 December	Canada	\$2,582	\$2,518	\$2,667
	United States	802	671	716
	Latin America	697	714	677
	Europe	1,652	1,754	1,465
	Pacific	845	867	807
	All Other	400	383	357
	Consolidation Eliminations	(378)	(275)	(343)
	Total	\$6,600	\$6,632	\$6,346
Capital Expenditures	Canada	\$ 127	\$ 212	\$ 404
	United States	34	17	48
	Latin America	48	95	146
	Europe	96	236	236
	Pacific	64	69	117
	All Other	13	14	23
	Total	\$ 382	\$ 643	\$ 974
Employees (thousands) at 31 December	Canada	19	18	20
	United States	5	5	5
	Latin America	9	10	9
	Europe	21	22	16
	Pacific	13	13	13
	All Other	3	4	3
	Total	70	72	66

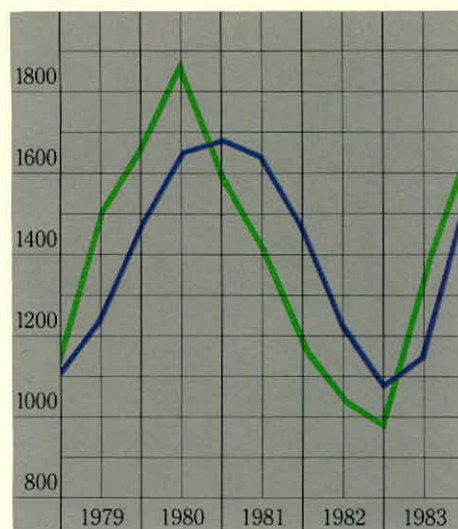
Sales to subsidiary companies are made at a fair market price recognizing volume, continuity of supply and other factors.

Shipments and Realizations

Trends in Aluminum Prices

(US \$/tonne—6 months average)

■ International Ingot Spot Price
 ■ Alcan's Net Realization on Sales of Ingot & Ingot Products



Alcan's shipments of aluminum in all forms reached an all-time high in 1983 of 1,902,000 tonnes, up 11% from the record level of 1,707,000 tonnes attained in 1982. Shipments totalled 1,547,000 tonnes in 1981. Sales and operating revenues increased 12% to \$5,208 million and compared with \$4,644 million in 1982 and \$4,978 million in 1981. Inventories were reduced to 534,000 tonnes, compared to 620,000 tonnes and 666,000 tonnes at the end of 1982 and 1981, respectively.

Ingot shipments declined 4% to 728,000 tonnes, but were at the second highest level in Alcan history. Shipments were 758,000 tonnes in 1982 and 510,000 tonnes in 1981. The volume of fabricated products increased 24% to 1,174,000 tonnes compared with 949,000 tonnes in 1982. In 1981, fabricated volume was 1,037,000 tonnes.

Alcan's net ingot realizations averaged 17% higher in 1983 than in 1982, with much of the improvement occurring in the second half of the year. However, the realizations were still 13% below the 1981 average.

Realizations on fabricated products were 8% lower than in 1982 and 11% less than in 1981. Fabricated realizations traditionally lag changes in ingot prices and are less volatile. During the recession, Alcan's realizations on fabricated products declined only slightly and with a delay despite a rapid and sharp fall in ingot prices. As ingot prices improved in the first half of 1983, fabricated prices were still declining. Fabricated realizations, and to a lesser extent those for ingot, were also affected adversely by a significant weakening of the major European currencies against the U.S. dollar.

Canada: Higher ingot prices and a strong recovery in domestic demand for fabricated products increased earnings in Canada to \$105 million in 1983, compared to \$29 million in 1982. However, profitability was well below the \$231 million achieved in 1981. Alcan's total aluminum shipments to the Canadian market rose 22% to 195,000 tonnes.

Smelter production increased slightly to 945,000 tonnes. Alcan reactivated 41,500 tonnes of previously idle capacity during the year and started up the second and third potlines at Grande Baie, Quebec. These latter facilities, although completed in prior years, were not put on stream earlier due to poor market conditions. Productivity improvements and lower prices for raw materials such as alumina, coke and caustic enabled the company to maintain production costs at 1982 levels despite increases in wages and benefits. The Canadian smelter operating rate reached 98% early in 1984 for an annual rate of 1,053,500 tonnes.

A two-year labour agreement was signed at the Kitimat, British Columbia smelter in June. In Quebec, contracts covering approximately 7,000 unionized employees expired at the end of 1983 and early in 1984. Negotiations for new agreements are underway.

Modernization and expansion programs continued in 1983, including the completion of a carbon paste plant in British Columbia and fluid flash calciners in Quebec. The total cost of these projects, including capitalized interest, was \$88 million and \$64 million, respectively. Work also proceeded on a new fluoride plant in Quebec which is expected to begin operations in 1985.

Demand for fabricated products in Canada showed strength early in 1983 and continued to improve throughout the year with most market segments benefitting. However, average realizations were lower than in 1982, reflecting resistance to price increases in the first half of the year.

The renovation sector of the Canadian building products market recovered strongly with the most significant gains obtained in sales of replacement windows thanks to new designs and a full production year at a new window plant in Toronto. Retail household foil and foil container markets suffered some erosion in 1983 due to substitution by plastic products. However, Alcan maintained its market position with the introduction of stronger household foil. Wire and cable business was better than in 1982, but the scaling down of growth rates by the major provincial utilities affected demand for bare overhead transmission cable.

During 1983, the first stage of modernization at the Kingston, Ontario rolling mill was basically completed, increasing the coil size capability by 33% and raising sheet rolling capacity. Significant progress was also made towards developing an improved belt caster capable of producing a wide range of high-strength alloys including can sheet. An Alcan designed belt caster was installed and commissioned during the year and development work continued into 1984.

United States: Alcan's shipments to the United States market rose 36% in 1983 from the depressed levels of the prior year to 499,000 tonnes and net income increased to \$24 million compared to a loss of \$1 million in 1982. In 1981, Alcan's U.S. business resulted in a net income of \$18 million.

A large improvement was recorded in the sheet and plate division with revenues 24% higher and shipments 51% above 1982 levels. Can sheet sales, a mainstay during the recession, continued to be strong in a highly competitive environment. Industry shipments of can sheet rose slightly to approximately 1.3 million tonnes and are expected to gain about 4% in 1984, in line with the expansion of the beverage industry.

The company broadened its penetration of the automotive sheet market through increased sales of trim products, fin stock and bumper stock as American manufacturers raised car production more than 30% above 1982 levels. A robust recovery in housing construction enabled Alcan's building products division to achieve significantly higher shipments and also boosted demand for service entry cable and building wire, pushing Alcan's wire and cable volume up 20%. Alcan's ingot sales in the U.S. were 47% above 1982 levels.

The only area not sharing in the business revival was the Metal Goods division—the largest U.S. distributor of high-temperature, corrosion-resistant alloys—which is dependent upon the capital goods sector. An expected increase in capital spending in the economy during 1984 should bring shipments, revenues and profitability back to better levels.

Capital spending in 1983 totalled \$34 million, mainly related to improvements at Alcan's 450,000 tonne hot rolling facilities in Oswego, New York.

A major project planned for 1984 is the installation of direct chill casting facilities at the company's Greensboro, Georgia secondary smelter. Greensboro would thus have the capability to produce 45,000 tonnes of sheet ingot from recycled beverage cans, an increasingly important and cost-competitive source of aluminum.

Alcan expects business conditions in the U.S. to show further improvement during 1984, resulting in a 12% increase in domestic aluminum industry shipments. Continued strength in demand should allow the company to obtain better returns from its fabricating operations. A firmer pricing environment developed during the final quarter of 1983 with the application of price increases and the elimination of discounts on a broad range of products. However, the average realization on fabricated products was lower than in 1982 because of weak sales prices during the first half of 1983.

Latin America: The debt and balance of payments problems in Latin America prevented this region from participating in the economic recovery taking place in many other parts of the world during 1983. Although temporary relief was provided in the form of debt rescheduling and some reduction in interest rates, much remains to be done to resolve Latin America's economic problems. It appears unlikely that the business environment will improve significantly during 1984.

Alcan's operations in the region incurred losses of \$11 million in 1983, compared with net income of \$15 million in 1982 and \$24 million in 1981. Shipments to the Latin American market declined marginally to 114,000 tonnes.

The principal reversal in performance occurred in Brazil. A combination of price controls, currency devaluations totalling 289%, inflation of 211% and sharply reduced local market demand severely hampered Brazilian operations. This was offset partially by a successful export program, mainly of semi-fabricated products, and a positive contribution from Alcan's 24% interest in Mineração Rio do Norte, a bauxite mining consortium in the Amazon region. Prior to 1983, Alcan's Brazilian operations had posted profits for over 20 years.

Installation of a hot mill at the Pindamonhangaba plant in Sao Paulo state has been resumed, with operations scheduled to start up during 1986. This addition to the cold mill, which has been in operation since 1977, will enable the Brazilian subsidiary to deliver 95,000 tonnes of quality finished rolled products annually to domestic and export markets. Capital cost of the project is approximately \$145 million. During 1983, the company also successfully completed the start-up of a 30,000 tonne expansion at its Aratu smelter in northeastern Brazil.

In Mexico, extremely poor market conditions produced a loss in dollar terms for a 48.8%-owned company for the second year in a row. Alcan's wholly-owned subsidiary in Argentina was unprofitable due to weak market conditions and rigid price controls. The company made a profit in the final quarter, however, and prospects for 1984 are brighter. In Colombia, meanwhile, Alcan's small 49%-owned fabricating company performed on target and earned a reasonable return.

In an effort to minimize losses, cost reductions have been effected in all companies, including a cut in the workforce. Better price levels, particularly for domestic Brazilian products, and the cost reduction efforts resulted in a return to profitability for the region in the fourth quarter of 1983.

Europe: Rationalization of the company's United Kingdom operations following a major acquisition, combined with some improvement in demand, was the key factor in the significant turnaround in Alcan's European earnings. Consolidated net income in 1983 was \$26 million, compared with losses of \$128 million in 1982 and \$71 million in 1981. Subsidiaries in Germany, France, Italy, Switzerland and Belgium were all profitable, some of them after two extremely difficult years. Furthermore, due to improved operating results, Alcan's share of losses in Spain was reduced to \$4 million in 1983 from \$41 million in 1982. Results in Europe also benefitted from a change in the accounting practice for foreign currency translation.

U.K. operations, where the heaviest losses were sustained in the prior year, accounted for the largest earnings improvement in 1983. Following the acquisition of British Aluminium Company plc at the end of 1982 and its merger with Alcan's existing U.K. company, a major rationalization of operations was undertaken involving the permanent shutdown of several less efficient production facilities and a more than \$60 million reduction in the annual cost base, the full benefit of which will not be realized until 1984. Sales volume of the combined operations was nevertheless maintained and the new company, British Alcan Aluminium Limited, recorded a profit in the second quarter of 1983. Earnings continued to improve in the latter half of the year, and the year's results benefitted from a \$15 million tax reduction due to the carry-forward of prior years' tax losses. British Alcan has substantial further past losses to recover which will benefit its future results.

In Germany, the rolled products division had a successful year, expanding its market position in specialty rolled products. The company continued to operate the 44,000-tonne Ludwigshafen smelter, although the problem of uncompetitive power costs has not been resolved. Negotiations continue for a competitively-priced energy contract to follow the current agreement which expires at the end of the 1984 third quarter.

Extrusion operations in France earned a profit for the first time in three years and the architectural systems business again did well with increased profitability. Higher prices in Italy and good efficiencies helped all businesses achieve better results while, in Belgium, Alcan's extrusion company earned a small profit after posting losses for three consecutive years.

The 800,000-tonne Aughinish alumina plant in Ireland, in which Alcan has a 40% stake, commenced production in September and is operating satisfactorily. It is expected that during its initial years the plant will have a negative impact on earnings because of high capital costs and prevailing low prices for alumina. Alcan's share of the joint venture is owned and managed as a division of Aluminum Company of Canada, Limited, but its results are included as part of Alcan's European operations in the geographic information on page 12.

In Spain, Alcan's participation in Empresa Nacional del Aluminio S.A. (Endasa) was reduced to 36.4% from 42.7% following a restructuring agreement in December 1983 with Instituto Nacional de Industria which holds the remaining shares. Concurrently, Alcan subscribed \$11 million in a capital increase in Endasa, bringing to \$29 million the company's 1983 equity contributions. The latest capital increase was associated with agreements made with lenders and creditors for the termination, effective 20 December 1983, of the "suspension of payments" in the principal subsidiaries of Endasa, which operate a modern smelter and alumina plant at San Ciprian. Although operations showed a loss for the year, these subsidiaries operated at a profit in the fourth quarter.

Capital spending in Europe totalled \$96 million, including \$42 million towards the completion of the Irish alumina plant. Expenditures on existing fixed assets were held at low levels as part of the effort to rebuild financial strength following the recession. Nevertheless, some key projects were started including a plant to produce fine alumina hydrate at Burntisland, Scotland and a machining center in Nottingham, U.K. for high pressure gas cylinders to improve quality and expand the product range to include large cylinders. In Germany, foil finishing operations in Berlin were upgraded and relocated in new premises.

Alcan's European shipments increased 30% to 567,000 tonnes during 1983, mainly as a result of higher sales in the U.K.

Pacific: Alcan's interests in the vast Pacific region, which includes most of Asia, incurred losses of \$28 million in 1983. Operations in Australia accounted for the largest share, as was the case in 1982 when the region recorded a loss of \$14 million. In 1981, these operations earned \$26 million.

The downturn in Australia, which began in mid-1982, deteriorated in the early part of 1983 into one of the worst recessions experienced by Alcan in that country. Production at the Kurri Kurri smelter was reduced to 62% of capacity and the combination of a low operating rate and extremely poor export demand and prices resulted in heavy losses during the first half of the year. Business showed a marked improvement in the fourth quarter, however, and full capacity smelter production was restored by December. Order rates heading into 1984 were at good levels.

As a result of the brighter outlook, the company reactivated construction of a third potline at the smelter with initial output expected by year-end 1984. The expansion, interrupted by the recession, will increase capacity by 55,000 tonnes.

In New Zealand, Alcan's 69.2%-owned fabricating company improved on its 1982 results with a better second half performance and a strong contribution from Gerard Roofing Systems, which markets roofing tiles in 32 countries. During the year, full control of the latter company was acquired by purchasing the other shareholder's 50% interest.

Above average growth rates were again recorded in the newly-industrialized Asian countries during 1983 and Alcan continued to expand its market penetration. However, rapidly rising ingot prices generally squeezed margins in all fabricating operations.

Late in the year, Alcan acquired a rolling mill operation in Thailand with annual capacity of 11,500 tonnes of sheet and 2,000 tonnes of foil. Together with the company's existing extrusion operations, these facilities give Alcan the leading position in the local industry.

Alcan sold a large quantity of ingot to the People's Republic of China in 1983. Average selling prices were higher than in 1982, but volume was lower. Sales of ingot to other countries in the region were at good levels, sourced mainly from Alcan's Canadian smelters but also from Australia.

Japanese domestic aluminum production stabilized at an annual rate of 250,000 tonnes in 1983 and imports increased to a record 1.4 million tonnes. Nippon Light Metal Company Ltd., 50%-owned, increased sales by 13% and achieved a return to operating profits late in the year. The company's debt burden was reduced by the sale of assets and by a \$60 million private subscription by major shareholders of which half was contributed by Alcan. Toyo Aluminium K.K., a major Japanese foil, powder and paste producer, also 50%-owned, posted record sales and steady profits.

In India, 50.5%-owned Indian Aluminium Company, Limited recorded its first loss since 1954 due to severe power cuts, inaction on the part of the government to increase ingot selling prices to compensate for higher costs and a prolonged strike at a foil plant. The smelter capacity utilization rate was 44%. Early in 1984, the government of India decided not to grant the required approval for the proposed merger of Alcan's Indian operations with Mahindra & Mahindra Limited.

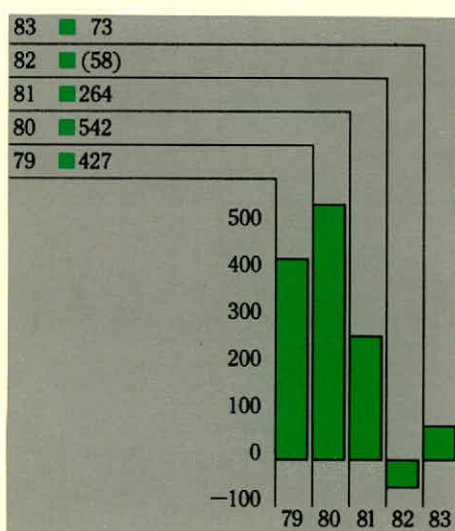
Alcan's consolidated shipments in the region declined 23% to 439,000 tonnes.

All Others: Alcan's participation in separate bauxite mining and alumina refining operations in Guinea netted positive results in 1983, but fabricating subsidiaries in Africa faced difficult conditions. Nigerian activities which include sheet, windows, corrugated roofing and collapsible tubes, reported a profit despite acute raw material shortages caused by that country's foreign exchange problems. In Ghana, operations were without raw materials throughout the year and at a virtual standstill, but in the fourth quarter import licences were issued which will allow limited production to recommence in 1984. A 70%-owned roofing company in the Ivory Coast faced considerable problems as it began operations in a flat market against strong competition. By contrast, Hulett Aluminium Limited in South Africa, in which Alcan has a 24% interest, posted a strong performance in 1983.

In Jamaica, Alcan's alumina operations recorded heavy losses due to weak markets and onerous taxation policies on bauxite. The company's two alumina plants ran at 78% of capacity. A major devaluation of the Jamaican dollar late in 1983 may result in some relief depending on how it is applied to the bauxite-alumina industry. Negotiations between the government and Alcan on a new bauxite levy are in progress. The previous arrangement expired at year-end. The company is also negotiating a new labour agreement with its unionized employees whose contract expired in January 1984.

Liquidity and Capital Resources

Net Income (US \$ millions)
Including extraordinary gains

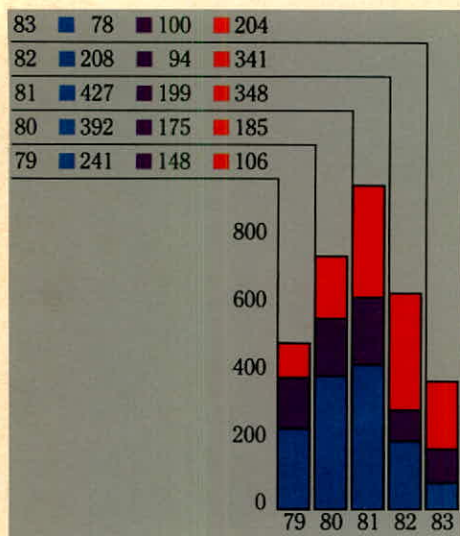


Alcan's balance sheet was strengthened significantly during 1983, principally as a result of major equity financings. Reduced capital spending and the positive effects of improving business conditions on internal funds generation were also contributing factors. The company's debt to equity ratio at 31 December 1983 was 36:64 compared with the prior year level of 43:57. (For this purpose, debt includes short-term borrowings and equity includes minority interests.) During 1983, total debt was reduced by \$279 million. Working capital increased by \$91 million, primarily reflecting larger cash and short term investment balances than at the end of 1982.

In September 1983, the company successfully issued 7.6 million common shares in the international market through three syndicates for a net consideration of \$287 million. It was the largest equity financing in Alcan history. Earlier in the year, 2.6 million common shares were sold through a group of New York underwriters, netting \$69 million. Another \$55 million was raised through the issue of common shares under various shareholder investment plans.

Capital Expenditures (US \$ millions)

■ Smelting
 ■ Fabricating
 ■ Raw Materials and Other



Capital spending was reduced in 1983 to \$382 million, the lowest level in five years, and compares with expenditures of \$643 million and \$974 million during 1982 and 1981, respectively. This minimum level was achieved through rigorous appraisal of short-term operating needs, suspension of major projects and the deferral of new commitments. As most of the company's large projects were completed in the two preceding years, the amount of interest capitalized in 1983 dropped to \$37 million, compared with \$99 million in 1982 and \$64 million in 1981.

About \$78 million was spent in 1983 on upgrading smelter operations, mostly in Quebec and British Columbia, while another \$100 million went into fabricating operations, mainly in North America and Brazil. Raw materials projects, including completion of an alumina plant in Ireland, a carbon paste plant in British Columbia and fluid flash calciners in Quebec, accounted for about \$70 million. All amounts include capitalized interest. Alcan also invested \$29 million during the year as its share of capital increases in Empresa Nacional del Aluminio and \$30 million as part of a \$60 million equity injection into Nippon Light Metal Company in Japan.

The company plans capital spending of about \$450 million in 1984. Most of these expenditures will go to the continuing modernization of the company's existing facilities and completion of the smelter expansion in Australia. Work has also resumed on a rolling mill in Brazil. The latter projects were started in 1981 and suspended during 1982 because of recessionary conditions. In addition, there is provision for the beginning of a smelter expansion and rebuilding program in Quebec. The first phase of a new smelter is planned for a site at Laterrière, near existing facilities.

In December 1983, Alcan's 70%-owned Australian subsidiary negotiated a \$100 million 10-year floating rate note issue in Europe. The proceeds will go towards the completion of the third potline at its Kurri Kurri smelter and to reduce some local borrowings.

Aluminum Company of Canada, Limited (Alcan:Canada), reduced its revolving bank credit lines by \$200 million to \$400 million, leaving a net amount of more than \$700 million in unutilized facilities. Alcan:Canada also filed a registration statement with the U.S. Securities and Exchange Commission during the second quarter for proposed debt issues of \$250 million which remains in effect.

The liquidity position of the parent company, Alcan Aluminium Limited, was improved substantially in 1983 despite a low level of dividend income from the operating subsidiaries. A continuation of the current economic recovery through 1984 should result in higher dividends to the parent. Alcan is of the opinion that it has sufficient financial resources available to it to carry out its capital spending commitments, debt repayments, contractual obligations and operational requirements.

In January 1984, Alcan signed a letter of intent to acquire several aluminum facilities from Atlantic Richfield Company (Arco), principally in the United States. The assets include a primary aluminum smelter at Sebree, Kentucky with a rated capacity of approximately 163,000 tonnes; rolling mills in Terre Haute, Indiana and Louisville and Logan County, Kentucky and packaging products operations. The transaction also includes Arco's 25% interest in an alumina plant in Ireland. Because the proposed transaction is subject to the signing of a definitive agreement and to pre-merger notification obligations under the U.S. federal antitrust laws, discussion of the impact on Alcan's liquidity position is premature.

Dividends

Alcan has paid consecutive quarterly cash dividends on its common shares since 1940. As in the past, the level of future dividends will be determined by the board of directors in the light of earnings from operations, capital requirements and the financial condition of the company. Dividends totalled \$81 million in 1983, compared with \$113 million in 1982 and \$146 million in 1981. The quarterly dividend rate throughout 1983 was 22½ cents a share. On 7 February 1984, the Board of directors declared a dividend of 30 cents a share, payable 12 March 1984.

CONSOLIDATED STATEMENT OF INCOME (in millions of U.S.\$)

Year ending 31 December		1983	1982	1981
Revenues				
	Sales	\$4,969	\$4,353	\$4,732
	Operating revenues	239	291	246
	Other income	97	65	75
		5,305	4,709	5,053
Costs and expenses				
	Cost of sales and operating expenses	4,188	3,837	3,801
	Depreciation	238	221	202
	Selling, research and administrative expenses	433	399	401
	Interest	255	234	186
	Other expenses	32	30	22
		5,146	4,721	4,612
Income (Loss) before income taxes and other items				
		159	(12)	441
	Income taxes (note 4)	73	(9)	142
Income (Loss) before other items				
		86	(3)	299
	Equity loss	(6)	(45)	(16)
	Minority interests	(22)	(10)	(19)
Income (Loss) before tax recovery				
		58	(58)	264
	Tax recovery applicable to prior years' losses (note 4)	15	—	—
Net income (Loss) (note 3)		\$ 73	\$ (58)	\$ 264
In U.S.\$				
Income (Loss) per common share				
	Before tax recovery	\$ 0.64	\$ (0.69)	\$ 3.24
	Tax recovery	0.17	—	—
	Net income (Loss)	\$ 0.81	\$ (0.69)	\$ 3.24
Dividends per common share		\$ 0.90	\$ 1.35	\$ 1.80

CONSOLIDATED BALANCE SHEET (in millions of U.S.\$)

ASSETS				
31 December		1983	1982	1981
Current assets				
	Cash and time deposits	\$ 262	\$ 136	\$ 203
	Receivables	890	777	740
	Inventories			
	Aluminum	814	906	974
	Raw materials	381	449	470
	Other supplies	253	251	264
		2,600	2,519	2,651
Deferred charges		97	67	63
Deferred receivables (note 5)		69	74	89
Investments in companies owned 50% or less (note 6)		284	271	276
Property, plant and equipment				
	Cost (note 7)	5,960	6,066	5,436
	Accumulated depreciation	2,410	2,365	2,169
		3,550	3,701	3,267
Total assets		\$6,600	\$6,632	\$6,346

CONSOLIDATED BALANCE SHEET (in millions of U.S.\$)

LIABILITIES AND SHAREHOLDERS' EQUITY

31 December	1983	1982	1981
Current liabilities			
Payables	\$ 771	\$ 746	\$ 764
Short-term borrowings (principally from banks)	275	305	304
Income and other taxes	44	50	48
Debt maturing within one year (note 8)	58	57	49
	1,148	1,158	1,165
Debt not maturing within one year (note 8)	1,499	1,749	1,589
Deferred credits (note 9)	181	228	153
Deferred income taxes	537	535	564
Minority interests (note 11)	436	451	244
Shareholders' equity			
Common shares (note 10)	955	528	477
Retained earnings (note 12)	1,967	1,983	2,154
Deferred translation adjustments (note 1)	(123)	—	—
	2,799	2,511	2,631
Commitments and guarantees (note 13)			
Total liabilities and shareholders' equity	\$6,600	\$6,632	\$6,346

Approved by the Board: David M. Culver, Director
Lionel P. Kent, Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (in millions of U.S.\$)

Year ending 31 December	1983	1982	1981
Source of funds			
Income (Loss) before other items	\$ 86	\$ (3)	\$ 299
Depreciation	238	221	202
Deferred income taxes	40	(26)	50
Other—net	(25)	(14)	(5)
From operations	339	178	546
New debt	468	671	782
Common shares of Alcan (note 10)	419	51	50
Shares of subsidiary companies	19	219	11
Sales of investments	1	4	11
Disposals of plant and equipment	20	10	12
Other—net	5	27	(30)
	1,271	1,160	1,382
Application of funds			
Plant and equipment	310	545	869
Investments	72	98	105
Debt repayments	626	509	130
Dividends paid to Alcan shareholders	81	113	146
Dividends paid to shareholders of subsidiary companies	33	20	19
	1,122	1,285	1,269
Increase (Decrease) in working capital before translation adjustments	149	(125)	113
Translation adjustments relating to working capital	(58)	—	—
Increase (Decrease) in working capital (note 14)	91	(125)	113
Working capital—beginning of year	1,361	1,486	1,373
Working capital—end of year	\$1,452	\$1,361	\$1,486

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (in millions of U.S.\$)

Year ending 31 December	1983	1982	1981
Balance—beginning of year	\$1,983	\$2,154	\$2,036
Net income (Loss)	73	(58)	264
	2,056	2,096	2,300
Dividends	81	113	146
Share issue expenses (net of income taxes)	8	—	—
Balance—end of year (note 12)	\$1,967	\$1,983	\$2,154

CONSOLIDATED STATEMENT OF DEFERRED TRANSLATION ADJUSTMENTS (in millions of U.S.\$)

Year ending 31 December	1983	1982	1981
Balance—beginning of year (note 3)	\$ (58)	—	—
Adjustments during the year	(65)	—	—
Balance—end of year	\$ (123)	—	—

1. Summary of accounting policies

Principles of consolidation

The consolidated financial statements, which are prepared in accordance with generally accepted accounting principles in Canada, include the accounts of all companies more than 50% owned. In addition, under the equity accounting principle, consolidated net income includes Alcan's equity in the net income or loss of all companies 20-50% owned and the investments in these companies have been increased or decreased by Alcan's share of their undistributed net income or loss since acquisition and by their deferred translation adjustments. When the cost of an investment differs from the book value of Alcan's equity therein at date of acquisition, the difference is amortized over the estimated average useful life of the fixed assets acquired.

Intercompany items and transactions, including profits in inventories, are eliminated.

Translation of accounts into United States dollars

The consolidated financial statements are expressed in U.S. dollars, the principal currency of international trade and of Alcan's business, under translation procedures recommended by the Canadian Institute of Chartered Accountants (CICA).

North American, Caribbean and other integrated operations as well as companies operating in hyperinflationary economies are translated using the temporal method. Under this method, current assets (excluding inventories), current liabilities and long-term monetary assets and liabilities are translated at the rates of exchange at year-end. Other balance sheet items are translated at the rates prevailing at the respective transaction dates. Income statement items are translated at average rates prevailing during the year, except for the cost of inventories and for depreciation which are translated at rates prevailing when the related assets were acquired. Translation gains and losses are included in income except for unrealized gains and losses arising from the translation of long-term monetary assets and liabilities which are deferred and amortized over the remaining lives of the related items.

Other operations, which are deemed to be self-sustaining, are translated using the current rate method. Under this method all assets and liabilities are translated at rates of exchange at the balance sheet date with income statement items translated at average exchange rates for the year. Translation adjustments arising from changes in exchange rates form part of the change in the deferred translation adjustments component of shareholders' equity until realized and included in income.

Other

Aluminum, raw materials and other supplies are stated at cost (determined for the most part on the monthly average method) or net realizable value, whichever is the lower.

Depreciation is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets.

Income (loss) per common share is calculated by dividing net income (loss) by the average number of common shares outstanding (1983: 90.2 million; 1982: 83.8 million; 1981: 81.6 million).

2. Accounting change

Beginning with 1983, Alcan adopted the currency translation recommendations of the CICA under which self-sustaining operations use the current rate method described in note 1, instead of the temporal method used heretofore.

The financial statements and information relating to periods prior to 1983 have not been restated because of the impracticality of so doing and because the restated net income and retained earnings could vary depending on which year is first selected for restatement. Net income for 1983 would have been approximately \$90 had the translation method used prior to 1983 been followed.

Certain balance sheet items in 1982 and 1981 have been reclassified for purposes of comparability with the 1983 presentation.

3. Currency translation

Currency translation losses included in income were \$33 in 1983, (\$73 in 1982, and \$60 in 1981), including losses of \$92 in 1983, (\$165 in 1982, \$181 in 1981) arising from the translation of cost of inventories.

The currency translation recommendations of the CICA largely parallel those of the US Financial Accounting Standards Board (FASB), with two principal exceptions. The first is the CICA recommendation to defer and amortize unrealized exchange gains and losses on long-term monetary items whereas the FASB recommends immediate absorption in income. The second exception is the CICA recommendation that deferred income taxes under the temporal method be translated at historical exchange rates instead of current rates. The initial effect of translating deferred income taxes at current rates, in accordance with FAS 52, amounted to \$48, and has been reflected in the following table as part of Consolidated Retained Earnings—Beginning of year 1983.

The following table compares results reported with those that would have been reported under the FASB method together with the cumulative effect on retained earnings.

	1983		1982		1981	
	As Reported	FASB Method	As Reported	FASB Method	As Reported	FASB Method
Consolidated net income (loss)						
First quarter (unaudited)	\$ (12)	\$ (19)	\$ 12	\$ 38	\$ 82	\$ 112
Second quarter (unaudited)	3	8	5	20	89	129
Third quarter (unaudited)	27	25	(15)	6	67	99
Fourth quarter (unaudited)	55	52	(60)	(62)	26	6
	73	66	(58)	2	264	346
Dollars per common share	0.81	0.73	(0.69)	0.02	3.24	4.25
Consolidated retained earnings						
Beginning of year	1,983	2,122	2,154	2,185	2,036	1,985
End of year	1,967	2,099	1,983	2,074	2,154	2,185
Deferred translation adjustments						
Beginning of year	(58)	(138)	—	—	—	—
End of year	(123)	(202)	—	—	—	—

The initial deferred translation adjustments of \$58 consist principally of a reduction in net property, plant and equipment of \$147 offset by the unamortized net amount of unrealized exchange of debt not maturing within one year of \$82. The difference between amounts shown as Deferred Translation Adjustments under As Reported and FASB Method arises principally from the different treatment of exchange on long-term debt.

4. Income taxes

	1983	1982	1981
Income (Loss) before income taxes and other items			
Canada	\$ 93	\$ 54	\$384
Other countries	66	(66)	57
	159	(12)	441
Current income taxes			
Canada	6	(6)	50
Other countries	27	23	42
	33	17	92
Deferred income taxes			
Canada	(4)	4	88
Other countries	44	(30)	(38)
	40	(26)	50
Total income tax provision (recovery)	\$ 73	\$ (9)	\$142

The composite of the applicable statutory corporate income tax rates in Canada is presently 45.7% (47.8% in 1982, 51.2% in 1981). Profits earned by subsidiary companies located outside Canada are generally subject to income taxes at rates comparable to this composite rate. However, no tax recovery has been anticipated in respect of losses by operations outside Canada. Dividends paid by these subsidiary companies are generally tax-exempt upon receipt in Canada. Taxes withheld at source are included in Current income taxes—Other countries.

The following is a reconciliation of income taxes calculated at the above composite rates with the total income tax provision:

	1983	1982	1981
Income taxes at the composite rate	\$ 73	\$ (6)	\$226
Increase (reduction) attributable to:			
Investment and depletion allowances	(27)	(34)	(84)
Non-taxable exchange translation losses	11	37	50
Losses net of gains without tax effect	9	8	(11)
Reversal of U.K. tax allowances	—	—	(19)
Other—net	7	(14)	(20)
Income tax provision (recovery)	\$ 73	\$ (9)	\$142

The deferred income taxes in 1983 arise from inventory valuation timing differences of \$27 and depreciation timing differences of \$26, which were offset by investment tax credits, foreign tax credits and other tax benefits of \$13. The deferred income taxes credit in 1982 arose from investment tax credits, foreign tax credits and other tax benefits of \$44, and inventory valuation timing differences of \$19, which were offset to a large extent by depreciation timing differences of \$37. In 1981 the deferred income taxes were due principally to depreciation timing differences.

In 1983 a tax benefit of \$15 million was realized as a result of applying prior years' tax losses to the current year's income. Additional tax benefits of approximately \$102 relating to prior and current years' tax losses will be recognized in income when realized.

NOTES TO FINANCIAL STATEMENTS (in millions of U.S.\$)

5. Deferred receivables

Deferred receivables include \$29 (\$32 in 1982 and \$33 in 1981) due with interest over the period 1985 to 1991 from the Government of Guyana in respect of the nationalization in 1971 of Alcan's bauxite and alumina assets.

6. Investments in companies owned 50% or less

	1983	1982	1981
Shares at cost plus equity in undistributed net income since acquisition			
Companies 50% owned (cost \$87)	\$ 119	\$ 68	\$ 67
Companies 20% to 50% owned (cost \$227)	160	197	207
Shares at cost			
Companies less than 20% owned	5	6	2
	\$ 284	\$ 271	\$ 276

The combined results of operations and the financial position of the 20-50% owned companies are summarized below.

Results of operations for the year

Revenues	\$4,557	\$4,148	\$4,724
Costs and expenses	4,314	4,286	4,734
Income (Loss) before income taxes	243	(138)	(10)
Income taxes	140	21	4
Net income (Loss)	\$ 103	\$ (159)	\$ (14)
*Alcan's share of net income (loss)	10	(46)	(4)
Dividends received by Alcan	9	10	7

Financial position at 31 December

Current assets	\$2,623	\$2,359	\$2,714
Current liabilities	2,405	2,277	2,555
Working capital	218	82	159
Property, plant and equipment—net	2,143	2,386	2,326
Other assets—net	429	458	618
	2,790	2,926	3,103
Debt not maturing within one year	1,985	2,088	2,171
Net assets	\$ 805	\$ 838	\$ 932
Alcan's equity in net assets	259	260	267

*Where a company operates as a joint venture supplying materials to each participant, Alcan's share of the net income or loss is applied to the cost of the materials so obtained.

7. Property, plant and equipment

	1983	1982	1981
Land, and property rights	\$ 109	\$ 97	\$ 87
Buildings, machinery and equipment	5,495	4,945	4,362
Construction work in progress	356	1,024	987
	\$5,960	\$6,066	\$5,436

Capital expenditures in 1984 are expected to be about \$450.

**8. Debt not maturing
within one year**

	1983	1982	1981
Aluminum Company of Canada, Limited and subsidiary companies			
Bank loans under \$550 credit agreements (a)	\$ —	\$ 150	\$ 460
Notes payable (commercial paper) (b)	79	112	—
14¼% Notes, due 1992	100	100	—
5.10% Notes, due 1984/1992	41	45	50
9½% Notes, due 1984/1994	40	41	42
15¾% Eurodollar debentures, due 1992	75	75	—
9½% Sinking fund debentures, due 1995	61	75	80
10¾% Sinking fund debentures, due 1994 (Can. \$52)	42	43	45
9¾% Sinking fund debentures, due 1991 (Can. \$41)	33	36	38
9½% Sinking fund debentures, due 1988	31	33	35
8¾% Loan, due 1984/1992 (£35)	51	57	35
Other debt, due 1984/2005	60	65	61
Alcan Aluminio da América Latina Ltda and subsidiary companies			
Bank loans, due 1984/1992 (a)	204	191	146
Other debt, due 1984/1993	18	—	—
Alcan Europe N.V. and subsidiary companies			
Bank loans, due 1984/1995 (principally £139; DM151) (a)	300	308	246
5½% Bonds, due 1987 (Sw.F.100)	46	50	56
Loans due 1984/1994 (£22)	32	36	44
Other debt, due 1984/2008	30	57	47
Alcan South Pacific Limited and subsidiary companies			
Bank loans and other debt due 1984/2002 (A.\$160, U.S.\$75) (a)	218	264	183
8½% Bonds, due 1984/1989	21	22	23
Other companies			
Bank loans, due 1984/1992 (a)	5	12	18
Other debt, due 1984/1993	70	34	29
	1,557	1,806	1,638
Debt maturing within one year included in current liabilities	(58)	(57)	(49)
	\$1,499	\$1,749	\$1,589

- (a) Interest rate fluctuates principally with lender's prime commercial rate, or the commercial bank bill rate, or is related to the London interbank offered rate.
(b) Notes payable (commercial paper) are issued in Canada and the United States at market rates and are fully backed up by unutilized long-term credit agreements amounting to \$261.

Based on rates of exchange at year end and after allowing for prepayments, sinking fund and other requirements over the next five years amount to \$58 in 1984, \$71 in 1985, \$105 in 1986, \$202 in 1987 and \$188 in 1988.

9. Deferred credits

Deferred credits include a prepayment by a related company under an alumina tolling arrangement of \$61 (\$61 in 1982 and \$57 in 1981), and unamortized net amount of unrealized exchange of \$2, (\$93 in 1982 and \$34 in 1981).

10. Capital Stock

The authorized share capital is an unlimited number of common shares without nominal or par value. At 31 December 1983, there were 96,928,927 shares outstanding.

10,000,000 shares have been reserved for offering to shareholders under three investment plans of which 4,863,347 have been issued.

1,500,000 shares have been reserved for issuance under an employee savings plan of which 210,022 shares have been issued at the market price prevailing at the time of sale.

1,000,000 shares have been reserved for issuance to key employees under an executive share option plan, at a price not less than 90% of the market value on the effective date of each option. At 31 December 1983, 85,375 shares have been issued at various prices averaging Can.\$26.05 per share and options covering 481,125 shares at prices ranging from Can.\$20.50 to \$40.16 per share were outstanding which if not exercised, will expire at various dates during the next ten years. Changes in outstanding options are summarized below:

	1983	1982	1981
Outstanding—beginning of year	401,300	408,200	—
Granted	206,100	—	408,200
Exercised	(83,475)	(1,900)	—
Cancelled	(42,800)	(5,000)	—

Outstanding—end of year 481,125 401,300 408,200

Options exercised in 1983 were at various prices averaging Can.\$26.08 per share.

Changes in the number and value of outstanding shares are summarized below:

	Number (in thousands)		
	1983	1982	1981
Outstanding—beginning of year	85,189	82,652	80,893
Issued for cash from:			
Public Issues	10,171	—	—
Share Purchase Plan	581	572	641
Dividend Reinvestment Plan	179	455	111
Employee Savings Plan	98	112	—
Executive Share Option Plan	83	2	—
Issued under Stock Dividend Plan	628	1,396	301
Issued in exchange for the minority shareholders' interest in a subsidiary company	—	—	706
Outstanding—end of year	96,929	85,189	82,652

	Value (in millions)		
	1983	1982	1981
Outstanding—beginning of year	\$528	\$477	\$427
Issued for cash from:			
Public Issues	372	—	—
Share Purchase Plan	22	14	15
Dividend Reinvestment Plan	6	8	2
Employee Savings Plan	4	3	—
Executive Share Option Plan	2	—	—
Issued under Stock Dividend Plan	21	26	7
Issued in exchange for the minority shareholders' interest in a subsidiary company	—	—	26
Outstanding—end of year	\$955	\$528	\$477

At 31 December 1983, 5,089,927 warrants were outstanding entitling the holder to purchase from Alcan one share for each warrant at a price of Can. \$36.50 per share until 31 December 1986. During the year 290,452 warrants were issued and 525 warrants were exercised.

11. Minority interests

	1983	1982	1981
Preferred Shares			
Aluminum Company of Canada, Limited	\$337	\$340	\$139
Others	22	9	9
Common shares	55	53	45
Retained earnings	40	49	51
Deferred translation adjustments	(18)	—	—
	\$436	\$451	\$244

The preferred shares of Aluminum Company of Canada, Limited include \$100 floating rate preferred shares retractable at \$25 per share in series at the option of the holder on 5 July 1984, 1985 and 1986, \$156 for Series A and \$46 for Series B preference shares retractable at Can. \$25 and U.S. \$25, respectively, at the option of the holder on 31 December 1989.

12. Retained Earnings

Consolidated retained earnings at 31 December 1983 include:
—\$529 which, pursuant to the provisions of certain debt and share issues of Aluminum Company of Canada, Limited, is not distributable as dividends either in cash or in kind to Alcan, the holder of its common shares.
—\$14 of undistributed earnings of companies owned 50% or less, and
—\$728, some part of which may be subject to certain taxes on distribution to the parent company. No provision is made for such taxes because these earnings are reinvested in the business.

13. Commitments and guarantees

To assure long-term supplies of bauxite and access to alumina and fabricating facilities, Alcan participates in several long-term cost sharing arrangements with related companies. Alcan's fixed and determinable commitments, which comprise long-term debt service in one joint venture and "take-or-pay" obligations in others, are estimated at \$155 in 1984, \$167 in 1985, \$161 in 1986, \$160 in 1987, \$160 in 1988 and \$1,148 thereafter. Alcan's total charges from these related companies were \$198 in 1983, \$192 in 1982 and \$188 in 1981. In addition, Alcan is guarantor of \$80 of long-term debt of certain of the related companies.

Minimum rental obligations amount to \$56 in 1984, \$41 in 1985, \$30 in 1986, \$24 in 1987, \$19 in 1988 and lesser annual amounts thereafter. Total rental expenses amounted to \$80 in 1983 (\$73 in 1982 and \$85 in 1981).

See also reference to capital expenditures in note 7, debt repayments in note 8 and preferred share retractions in note 11.

14. Changes in working capital

	1983	1982	1981
Current assets			
Cash and time deposits	\$ 126	\$ (67)	\$ (80)
Receivables	113	37	(108)
Inventories	(158)	(102)	272
	81	(132)	84
Current liabilities			
Payables and short-term borrowings	(5)	(17)	125
Income and other taxes	(6)	2	(177)
Debt maturing within one year	1	8	23
	(10)	(7)	(29)
Net increase (decrease)	\$ 91	\$ (125)	\$ 113

15. Supplementary income statement information

	1983	1982	1981
Repairs and maintenance	\$367	\$350	\$361
Taxes, other than payroll and income taxes	122	104	94
Research and development	60	55	48
Interest on long-term debt	211	225	156
Capitalized interest	(37)	(99)	(64)

16. Pension plans

Alcan and its subsidiaries (with some exceptions) have established pension plans in the principal countries where they operate, for the greater part contributory and generally open to all employees. The total pension expense in 1983 was \$63 (\$50 in 1982 and \$69 in 1981). Pension expense includes amortization of unfunded actuarial liabilities which Alcan and its subsidiaries are funding and expensing for the most part over periods of 15 years or less.

Based on the most recent actuarial reports the present value of vested accumulated plan benefits was \$919, (\$692 in 1982 and \$644 in 1981), the present value of non-vested benefits was \$17, (\$16 in 1982 and \$11 in 1981), and the value of the net assets available for benefits was \$1,068, (\$866 in 1982 and \$804 in 1981), at market prices prevailing at the time of actuarial valuation. These present values were determined using a weighted average assumed rate of return of 6.6%, (7.1% in 1982 and 6.9% in 1981). The increase in present values in 1983 is due principally to improved benefits in the Canadian plans, and a change in the interest rate assumption used for the actuarial valuation of the major Canadian plan. The apparent surplus will be needed to meet increases in pension liabilities arising from future increases in salaries, which have not been allowed for in the above present values. The effective dates of the principal actuarial reports were 1 January 1983 for the two Canadian plans and the major United States plan, and 6 April 1982 for the major United Kingdom plan.

17. Proposed acquisition

In January 1984, Alcan agreed in principle to acquire certain assets of the aluminum business of Atlantic Richfield Company. The proposed transaction is subject to the signing of a definitive agreement and to pre-merger notification obligations under the United States federal anti-trust laws.

18. Information by geographic area

Information by geographic areas is contained in the summary on page 12.

AUDITORS' REPORT

**To the Shareholders of
Alcan Aluminium Limited**

We have examined the consolidated balance sheets of Alcan Aluminium Limited as at 31 December 1983, 1982 and 1981 and the consolidated statements of income, retained earnings, deferred translation adjustments and changes in financial position for the three years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at 31 December 1983, 1982 and 1981 and the results of its operations and the changes in its financial position for the three years then ended, in accordance with generally accepted accounting principles in Canada applied on a consistent basis, except for the change in accounting for currency translation as described in note 2.

Montreal, Canada
7 February 1984

PRICE WATERHOUSE
Chartered Accountants

QUARTERLY FINANCIAL DATA (unaudited) (in millions of U.S. \$)

1983	First	Second	Third	Fourth	Year
Revenues	\$1,245	\$1,329	\$1,323	\$1,408	\$5,305
Cost of sales and operating expenses	1,010	1,071	1,035	1,072	4,188
Depreciation	62	62	61	53	238
Income taxes	6	17	11	39	73
Interest and other items	179	176	189	204	748
Tax recovery	—	—	—	15	15
Net income (Loss)	\$ (12)	\$ 3	\$ 27	\$ 55	\$ 73
Income (Loss) per common share (U.S.\$)					
Before tax recovery	(0.13)	0.03	0.30	0.42	0.64
Tax recovery	—	—	—	0.15	0.17
After tax recovery	(0.13)	0.03	0.30	0.57	0.81
1982					
Revenues	\$1,236	\$1,193	\$1,194	\$1,086	\$4,709
Cost of sales and operating expenses	986	962	971	918	3,837
Depreciation	56	57	56	52	221
Income taxes	14	(10)	3	(16)	(9)
Interest and other items	168	179	179	192	718
Net income (Loss)	\$ 12	\$ 5	\$ (15)	\$ (60)	\$ (58)
Income (Loss) per common share (U.S.\$)	0.14	0.06	(0.18)	(0.71)	(0.69)
1981					
Revenues	\$1,305	\$1,338	\$1,223	\$1,187	\$5,053
Cost of sales and operating expenses	950	990	937	924	3,801
Depreciation	46	50	51	55	202
Income taxes	82	61	12	(13)	142
Interest and other items	145	148	156	195	644
Net income	\$ 82	\$ 89	\$ 67	\$ 26	\$ 264
Income per common share (U.S.\$)	1.01	1.09	0.82	0.32	3.24

Income per common share calculations are based on the average number of common shares outstanding in each period.

QUARTERLY DIVIDENDS AND COMMON SHARE PRICES

1983	Dividends per share (U.S.\$)	Common Share Price (NYSE—U.S.\$)*		Common Share Price (TSE—CDN\$)*	
Quarter		High	Low	High	Low
First	0.22½	33	25¾	40¾	32½
Second	0.22½	35¼	29	43¼	35½
Third	0.22½	41⅝	31¾	50½	39
Fourth	0.22½	41⅝	35⅝	51	43½
Year	0.90				
1982		Common Share Price (NYSE—U.S.\$)*		Common Share Price (TSE—CDN\$)*	
Quarter	Dividends per share (U.S.\$)	High	Low	High	Low
First	0.45	23¼	17⅞	27⅞	21⅞
Second	0.45	20¼	15⅞	25	20¾
Third	0.22½	23⅞	17	29¾	21¾
Fourth	0.22½	28¾	20½	35⅝	25¾
Year	1.35				

*New York and Toronto are the principal markets for Alcan's common shares. The share prices are those reported as New York Stock Exchange—Consolidated Trading and as reported by the Toronto Stock Exchange.

This information has been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants (CICA).

The primary emphasis of the data is on current cost (CC) accounting. This focuses upon the specific changes in prices of assets and in expenses associated with the use of fixed assets or sale of inventories. It is a method of measuring their current values in terms of what the assets would cost to purchase or produce at the balance sheet date or at the date of use of fixed assets or sale of goods produced.

CC amounts for the company's assets were determined primarily by using appropriate specific indexes or reliable market prices. For property, plant and equipment this method assumes the assets would be replaced with like technology although this would not always be the case. The current cost of sales was determined by adjusting the historical costs by the estimated specific price changes which occurred between the time of production and the time of sale.

The current cost losses of \$176 for 1983 and \$228 for 1982, as shown in the schedule below, are based on an operating capability concept of capital. This concept measures income/loss generated by an enterprise from all sources of capital, whether provided by lenders or shareholders. To measure income attributable to shareholders on a current cost basis, the CICA recommends the calculation of a "financing adjustment". It is based on the supposition that the funds required to maintain a company's operating capability (replace the assets it consumes) will be provided by a combination of shareholder and borrowed funds. The financing adjustment (calculated by reference to the existing level of debt and the specific price change during the year for inventory and property, plant and equipment) aims to provide a measure of the increases in current costs that would be financed by debt. Recognizing this adjustment produces current cost losses attributable to shareholders of \$109 for 1983 and \$178 for 1982.

Two items of general inflation information are presented. The first, "increase in current cost amounts of inventory and property, plant and equipment based on general inflation" provides a comparison with the specific price change for these assets. The latter for 1983 was \$19 greater than the amount that would have resulted if the specific costs had increased by the rate of general inflation. The second is the "general purchasing power gain on net monetary liabilities". Holders of cash and other monetary assets lose purchasing power during periods of inflation; debtors gain. Alcan has greater monetary liabilities than monetary assets and the general purchasing power gain thereon helps to preserve the general purchasing power of shareholders' equity. It should be noted that, unlike the Financial Accounting Standards Board (FASB) in the United States, the CICA does not consider deferred income taxes to be a monetary item. Therefore, under the FASB recommendations Alcan would report a general price level gain on net monetary liabilities of \$81 for 1983 and \$106 for 1982.

The present low levels of inflation are encouraging and hopefully indicate a longer term movement away from the exceedingly high rates of inflation experienced in the late 1970's and early 1980's. However, the effect of past inflation on Alcan remains significant because of the cumulative price increases on the company's assets from the time they were acquired. Accordingly, Alcan continues to support the disclosure of inflation accounting information to enable readers of the financial statements to obtain a more realistic assessment of the company's results.

CONSOLIDATED STATEMENT OF INCOME (in millions of U.S.\$)

	Historical as reported		Current Cost Basis in average 1983 \$	
	1983	1982	1983	1982
Sales and operating revenues	\$5,208	\$4,644	\$5,208	\$4,793
Cost of sales and operating expenses	4,188	3,837	4,246	3,940
Depreciation expense	238	221	448	425
Selling, research and administrative expenses	433	399	433	412
Interest	255	234	255	241
Other (income) and expenses—net	(65)	(35)	(70)	(38)
	5,049	4,656	5,312	4,980
Income (Loss) before income taxes and other items	159	(12)	(104)	(187)
Current income taxes	33	17	33	18
Deferred income taxes	40	(26)	40	(27)
Equity loss and minority interests	28	55	14	50
Income (Loss) before tax recovery	58	(58)	(191)	(228)
Tax recovery of prior years' losses	15	—	15	—
Income (Loss)	\$ 73	\$ (58)	\$ (176)	\$ (228)

SCHEDULE OF CONSOLIDATED ASSETS (in millions of U.S.\$)

	Historical as reported		Current Cost Basis in year-end 1983 \$	
	1983	1982	1983	1982
Inventory	\$1,448	\$1,606	\$1,565	\$1,756
Property, plant and equipment—net	3,550	3,701	6,599	6,887
Net assets (common shareholders' equity)	2,799	2,511	6,005	5,910

SUPPLEMENTARY INFORMATION (in millions of U.S.\$)

	In Average 1983 \$	
	1983	1982
Increase in current cost amounts of inventory and property, plant and equipment based on:		
General inflation	\$303	\$318*
Specific prices	322	267*
Difference	\$ (19)	\$ 51*
General purchasing power gain on net monetary liabilities	\$ 62	\$ 83
Financing adjustment on specific price increases of inventory and property, plant and equipment	\$ 67	\$ 50*

*Based on the current cost adjustments made to
income during the year, the financing adjustment
amounts to \$52 (1982, \$32)*

*Restated to conform to methodology used to
calculate 1983 amounts for subsidiaries using
the current rate method of translation.

A FIVE-YEAR SUMMARY

(Certain items have been reclassified for purposes of comparability)

Operating data (thousands of tonnes)	Consolidated aluminum shipments	Ingot and ingot products Fabricated products
	Consolidated primary aluminum production	In Canada Outside Canada
	Consolidated aluminum inventories (end of year)	
	Primary aluminum capacity (end of year)	Consolidated subsidiaries Total subsidiaries and related companies
Consolidated income statement items (U.S.\$ millions)	Total revenues	Sales of aluminum ingot and ingot products Sales of aluminum fabricated products Sales of all other products Operating revenues and other income
	Costs and expenses	Cost of sales and operating expenses Depreciation Interest Income taxes Other
	Equity income (Loss)	
	Minority interests	
	Income (Loss) from continuing operations	
	As reported	
	FASB method	
	Extraordinary gains	
	Net income (Loss)	
	As reported	
	FASB method	
Consolidated balance sheet items (U.S.\$ millions)	Working capital	
	Property, plant and equipment—net	
	Investments in companies owned 50% or less	
	Long-term debt	
	Deferred income taxes	
	Minority interests	
	Common shareholders' equity	
	As reported	
	FASB method	
	Total assets	
Per common share (U.S.\$)	Income (Loss) from continuing operations	
	As reported	
	FASB method	
	Income (Loss) including extraordinary gains	
	As reported	
	FASB method	
	Dividends paid	
	Common shareholders' equity	
Other statistics	As reported	
	FASB method	
	Market price NYSE close	
	Funds from operations (U.S.\$ millions)	
	Capital expenditures (U.S.\$ millions)	
	Employees (thousands at end of year)	
	Common shareholders (thousands at end of year)	
	Common shares outstanding (millions at end of year)	
		Registered in Canada(%) Registered in USA(%) Registered in other countries(%)
	Return on average common shareholders' equity	

See Note 3 to the Financial Statements on Page 24 which explains the reasons for the differences between the As Reported and FASB methods.

1979	1980	1981	1982	1983
1,532	1,588	1,547	1,707	1,902
496	533	510	758	728
1,036	1,055	1,037	949	1,174
709	918	962	917	945
354	384	433	380	438
410	485	666	620	534
1,347	1,426	1,483	1,593	1,619
1,959	1,930	1,987	2,035	2,070
4,450	5,264	5,053	4,709	5,305
663	886	789	867	975
2,827	3,265	3,150	2,809	3,195
705	841	793	677	799
255	272	321	356	336
3,240	3,682	3,801	3,837	4,188
149	162	202	221	238
114	107	186	234	255
211	393	142	(9)	73
322	375	423	429	465
21	25	(16)	(45)	(6)
(29)	(28)	(19)	(10)	(22)
406	542	264	(58)	58
405	569	346	2	51
21	—	—	—	15
427	542	264	(58)	73
426	569	346	2	66
1,275	1,373	1,486	1,361	1,452
1,915	2,441	3,267	3,701	3,550
253	326	276	271	284
796	930	1,589	1,749	1,499
397	514	564	535	537
268	269	244	451	436
2,030	2,463	2,631	2,511	2,799
1,952	2,412	2,662	2,602	2,852
4,520	5,485	6,346	6,632	6,600
5.01	6.70	3.24	(0.69)	0.64
4.99	7.03	4.25	0.02	0.56
5.28	6.70	3.24	(0.69)	0.81
5.26	7.03	4.25	0.02	0.73
1.05	1.35	1.80	1.35	0.90
25.09	30.45	31.83	29.48	28.88
24.13	29.81	32.21	30.54	29.42
23.44	33.25	23.00	27.88	39.75
619	831	546	178	339
495	752	974	643	382
65	67	66	72	70
35	37	47	51	59
81	81	83	85	97
39	39	48	51	48
53	53	45	42	48
8	8	7	7	4
23	24	10	(2)	3

SELECTED FIVE-YEAR DATA

At 1 January 1984	Locations	% of Alcan Ownership	Annual Rated Capacity
Consolidated Smelter Capacities (thousands of tonnes)			
Canada			
	Arvida (Jonquière)	100	432
	Isle Maligne (Alma)	100	73
	Shawinigan	100	84
	Beauharnois (Melocheville)	100	47
	Grande Baie	100	171
	Kitimat	100	268
	Total Canadian Subsidiary		1,075
U.K.			
	Lynemouth	100	125
	Kinlochleven	100	11
	Lochaber	100	38
Brazil			
	Saramenha (Ouro Preto)	100	60
	Aratu	100	58
Germany			
	Ludwigshafen	100	44
India			
	Belgaum	50.5	73
	Hirakud	50.5	25
	Alupuram	50.5	20
Australia			
	Kurri Kurri	70	90
	Total Non-Canadian Subsidiaries		544
	Total Consolidated Subsidiaries		1,619

Consolidated Smelter Capacity and Production (thousands of tonnes)

■ Capacity at year end
■ Production

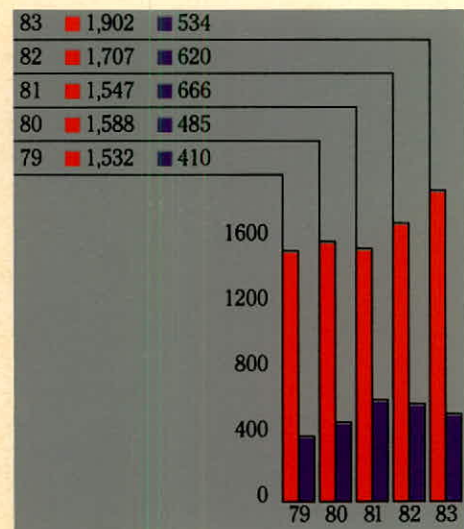


Shipments by Market Destination (thousands of tonnes)	Total Sales	1983	1982	1981	1980	1979
	Canada	195	160	224	231	241
	United States	499	368	459	461	402
	Latin America	114	118	110	140	145
	Europe	567	438	438	451	461
	Pacific	439	567	279	278	255
	All Others	88	56	37	27	28
		1,902	1,707	1,547	1,588	1,532

Shipments and Inventories

(thousands of tonnes)

■ Shipments
■ Inventories



Alcan's management is responsible for the integrity and fair presentation of the financial statements and other information in the annual report. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada, conforming in all material respects with international standards. Financial and operating data elsewhere in the annual report are consistent with those contained in the accompanying financial statements.

Alcan's policy is to maintain systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable and that company assets are adequately accounted for and safeguarded. The Audit Committee, which is comprised of directors who are not employees, meets regularly with representatives of Price Waterhouse, the shareholders' independent auditors, and with members of management to satisfy themselves that Alcan's policy is being followed.

The financial statements have been reviewed by the Audit Committee and together with the other information in this annual report have been approved by the Board of Directors. In addition, the financial statements have been examined by Price Waterhouse, whose opinion is included in their report on page 30.

ALCAN'S BAUXITE RESERVES (millions of crude tonnes)

	1983	1982	1981
Subsidiaries			
Proved bauxite reserves at beginning of year	255	257	263
Total weighted average aluminum content*	27%	27%	27%
Bauxite mined during the year	5	4	5
Related companies			
Alcan's share of proved bauxite reserves at beginning of year	68	65	71

*The amount of aluminum extractable is always less than the total aluminum content, varying according to the nature of the bauxite, the process technology employed to extract the intermediate product, alumina, and the alumina plant efficiency.

DIRECTORS AND OFFICERS

Directors

Nathanael V. Davis
Osterville, Massachusetts
Chairman of the Board

Sonja I. Bata, O.C.
Toronto—Director of Bata Limited,
International footwear manufacturers

David M. Culver, O.C.
Montreal—President and
Chief Executive Officer

Dr. Lawrence E. Fouraker
Boston—Professor of Business
Administration, Harvard Business
School

Dr. Roger Gaudry, C.C.
Montreal—Director of various
companies

John H. Hale
London—Managing Director,
S. Pearson & Son plc, a diversified
holding company

Lionel P. Kent
Montreal—Retired

Paul H. Leman, O.C.
Montreal—Director of various
companies

Franklin S. McCarthy
Brockville, Ontario
Director of various companies

Hon. John L. Nichol, O.C.
Vancouver—President of a private
investment company

Jean-Marie Poitras, O.C.
Quebec City—Chairman of
La Laurentienne Mutuelle d'Assurance

Eric A. Trigg
Montreal—Senior Vice President

William O. Twaits, C.C.
Toronto—Director of various
companies

Eric F. West
Lyme, Connecticut
Senior Executive Vice President

Dr. Joachim Zahn
Munich—Director of various
companies

Audit Committee

Lionel P. Kent, Chairman
Sonja I. Bata
John H. Hale
Paul H. Leman
Franklin S. McCarthy
Jean-Marie Poitras
Joachim Zahn

Personnel Committee

William O. Twaits, Chairman
David M. Culver
Lawrence E. Fouraker
Roger Gaudry
John L. Nichol

Officers

David M. Culver
Eric F. West
Eric A. Trigg

President and Chief Executive Officer
Senior Executive Vice President
Senior Vice President

A. F. Black

Regional Executive Vice President,
Pacific

David Morton

Regional Executive Vice President,
The Americas

Patrick Jean Jacques Rich

Regional Executive Vice President,
Europe, Africa and Middle East

Ronald C. Bales
Caryll Birkett
A. A. Bruneau

Vice President, Corporate Planning
Vice President, Asia
Vice President, Chief Legal Officer
and Secretary

Gerald Clark
David H. Clarke
W. O. Codrington
Harold Corrigan
Dudley G. Eustace
Roy A. Gentles
Allan A. Hodgson

Vice President, Latin America
Vice President, Personnel
Vice President, Basic Raw Materials
Vice President, Corporate Relations
Treasurer
Vice President
Vice President and Chief Financial
Officer

Dr. Margaret G. Kerr

Vice President, Environment,
Occupational Health and Safety
Vice President, Energy Resources
Vice President, Japan and Korea
Vice President, Metal Planning and
Administration

Murray D. Lester
Norman F. Macfarlane
H. Stuart McEvoy

Director of Corporate Ventures
Vice President, Research and
Operations Technology

C. Derek Statham
Ihor Suchoversky

Companies

Argentina Camea S.A.	Ivory Coast Alcan Ivoire S.A. (70%)
Australia Alcan Australia Limited (70%) Queensland Alumina Limited (21.4%)	Jamaica Jamalcan (93%)
Belgium S.A. Alcan Aluminium Benelux N.V.	Japan Nippon Light Metal Company, Ltd (50%) Toyo Aluminium K.K. (50%)
Bermuda Alcan (Bermuda) Limited	Malaysia Aluminium Company of Malaysia Berhad (40%) Johore Mining and Stevedoring Co. Sdn. Berhad (70%)
Brazil Alcan Alumínio da América Latina Ltda Alcan Alumínio do Brasil S.A. Mineração Rio do Norte S.A. (24%)	Mexico Alcan Alumínio, S.A. de C.V. (48.8%)
Canada Aluminum Company of Canada, Limited Alcan Canada Products Limited Alcan Smelters and Chemicals Ltd Saguenay Shipping Limited	Netherlands Hunter Douglas N.V. (25.1%)
Colombia Aluminio Alcan de Colombia, S.A. (49%)	New Zealand Alcan New Zealand Limited (69.2%)
France Aluminium Alcan de France	Nigeria Alcan Aluminium of Nigeria Limited (58.2%)
Germany Alcan Aluminiumwerke GmbH Aluminium Norf GmbH (50%)	Spain Empresa Nacional del Aluminio S.A. (36.4%)
Ghana Ghana Aluminium Products Limited (60%)	Sri Lanka Acme Aluminium Company Limited (52.9%)
Guinea Compagnie des Bauxites de Guinée (13.8%)	South Africa Hulett Aluminium Limited (24%)
Hong Kong Alcan Asia Limited	Switzerland Alcan Aluminium (Europe) S.A. Aluminiumwerke A.-G. Rorschach
India Indian Aluminium Company, Limited (50.5%)	Thailand Alcan Siam Limited Alcan Thai Company Limited
Indonesia P.T. Alcan Indonesia (70%)	Trinidad Chaguaramas Terminals Limited
Ireland Aughinish Alumina Limited (40%)	United Kingdom British Alcan Aluminium Limited
Italy Alcan Alluminio S.p.A.	United States Alcan Aluminum Corporation
	Uruguay Alcan Alumínio del Uruguay S.A. (89.9%)

*This list covers the main companies in each country in which Alcan has investments. A complete list is available in the company's annual 10-K report and Alcan Facts.

**Research
Laboratories**

Alcan International Limited: Jonquière, Quebec; Kingston, Ontario; Chalfont Park and Banbury, England; and Alicante, Spain.

The OECD Guidelines

In the 1976 annual report Alcan expressed its support for, and compliance with, the OECD's guidelines for multinational enterprises. The Organization for Economic Cooperation and Development (OECD), which consists of 24 industrialized countries including Canada, had adopted those guidelines in 1976.

Alcan welcomed the guidelines as a positive statement of what is good practice for multinational companies and as part of a package of declarations establishing an acceptable framework of reciprocal rights and responsibilities between multinational enterprises and host governments.

Alcan continues to support and comply with the OECD guidelines. The company's own statement, "Alcan, Its Purposes, Objectives and Policies", published in 1978 in 11 languages to strengthen the awareness of employees worldwide of the basic general principles and policies which have guided the conduct of Alcan's business over the years, is consistent with the OECD guidelines.

Version Française	La version française de ce rapport sera expédiée sur demande écrite adressée: Alcan Aluminium Limitée, service des Relations extérieures, 1188 ouest, rue Sherbrooke, Montréal, (Québec) H3A 3G2.
Annual Meeting	The Annual Meeting of the Shareholders of Alcan Aluminium Limited will be held on Thursday, 29 March 1984, at 10 a.m., in the Chateau Champlain Hotel, Montreal.
10-K Report	A copy of the company's annual 10-K report for 1983 to be filed with the United States Securities and Exchange Commission will be available to shareholders after 1 April and may be obtained upon written request to the Secretary of the company.
Terms	All dollar amounts are stated in U.S. dollars and all quantities in metric tons, or 'tonnes'. A tonne is 1,000 kilograms, or 2,204.6 pounds.
Trademarks	The word ALCAN and the symbol are registered as trademarks in more than 100 countries, and they are owned, directly or indirectly, by Aluminum Company of Canada, Limited.
Common Shares	The common shares of Alcan Aluminium Limited are listed on the Montreal, Toronto, Vancouver, New York, Midwest, Pacific, London, Paris, Brussels, Amsterdam, Frankfurt, Basel, Geneva, Lausanne and Zurich stock exchanges. The markets where most of the shares are traded are New York and Toronto.
Transfer Agents	National Trust Company, Limited, Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver. Manufacturers Hanover Trust Company, New York. The Royal Trust Company, London.
Warrants	Warrants, representing rights to purchase common shares of the company at \$36.50 per share in Canadian currency to 31 December 1986, are listed on the Montreal, Toronto and Vancouver stock exchanges. The warrant agent is The Royal Trust Company in Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.
Shareholder Investment Plans	Dividend Reinvestment Plan Shareholders can reinvest their cash dividends in newly issued Alcan shares at a 5% discount from market value. Stock Dividend Plan Shareholders can elect to receive their dividends in the form of newly issued Alcan shares at a 5% discount from market value. Share Purchase Plan Shareholders can purchase newly issued Alcan shares at market value. Each plan enables shareholders to acquire newly issued Alcan shares at regular intervals without payment of brokerage commissions or service charges. For information write — or call collect: Alcan Shareholder Services P.O. Box 6077, Montreal, Canada H3C 3A7 Telephone: (514) 848-8050

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Montreal, Canada
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